Lee Valley Regional Park Authority

Statement of Accounts

For the year ended 31 March 2018

DRAFT Unaudited

Lee Valley Regional Park Authority

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Narrative Report

The Lee Valley Regional Park Authority (LVRPA) is an award winning and leading leisure organisation. It has a statutory duty under the Lee Valley Regional Park Act (1966) to develop the 10,000 acre Park as a regional destination - a destination that attracts 7 mill visitors a year. The Authority's vision for 2020 is that the LVRPA should be "A World Class Leisure Destination".

Over recent years the Authority has undertaken significant work to attract external funding to support the development of the Regional Park; and it is committed to continue to reduce its reliance on the levy. The levy is a charge on council tax payers in London, Essex and Hertfordshire – which equates to 81p per person per year. The maximum levy is determined by a formula set out in "The Levying Bodies (General) Regulations 1992" - adjusted annually to account for inflation.

These accounts for 2017/18 provide information about costs and income from our services and our assets and liabilities at the year end. The summary of significant matters sets out the main financial performance of the Authority during 2017/18; its ongoing liabilities; future capital investment and the underlying economic climate that influences future performance.

In delivering its statutory objectives the Authority uses non-financial (as well as financial) Key Performance Indicators (KPIs) to measure in year performance with other Performance Indicators (PIs) underpinning the KPIs. The 2017/18 KPIs are set out in the table below for ongoing comparison.

Key Performance Indicator	2016/17	2017/18	Explanation
Levy Contribution	46.5%	42.9%	Percentage charged of the maximum chargeable
Customer Satisfaction	86.0%	86.0%	Customer satisfaction Rating
Stakeholder Perception	73.0%	77.0%	Stakeholder satisfaction
CO_2 emissions from Operations	5,859	5,675	CO_2 Emissions (Tonnes of CO_2)
Business Priorities Progress	83.3%	85.0%	Percentage of actions delivered in year
Usage	7.1m	7.1m	Number of Visitors (Millions)

The Authority's financial strategy is embodied in the ten-year Strategic Business Plan 2010 to 2020. The Plan is designed to deliver the vision of creating a world class leisure destination. The Plan is underpinned by a financial strategy that aims to optimise the use of financial resources to meet business objectives. The strategy includes maintaining a strong financial position, which these accounts demonstrate. The Authority renews its business plan on a three year cycle with the latest plan (2016-19) approved in January 2016. This plan sets out service objectives and business priorities for the coming three years and is underpinned by the Medium Term Financial Plan (MTFP).

A key development of the Authority has been to outsource its sporting venues and some business support services in a five year contract to improve economy, efficiency and effectiveness and the new business plan sets out themes to continue this organisational change. These themes are:

- Continue to reduce the levy for the LVRP paid by the taxpayers of London, Essex and Hertfordshire, from the 35% budget contribution it currently makes.
- Increase income from existing venues/sites through a range of investment opportunities both directly and with 3rd parties and the appropriate pursuit of commercial income through Authority owned land and property assets
- Improve the accessibility of the LVRP to its regional constituency through marketing and community engagement initiatives.
- Continue to develop new operational models for its services as the Authority moves to being more of an enabling organisation.
- Enhance the Park's environmental infrastructure
- Provide a first rate visitor experience and grow the visitor figure to 7.5 million by 2018/19

The following paragraphs set out the most significant matters in the accounts, such as the Authority's overall financial position.

Expenditure compared to budget

The 2017/18 budget was set in January 2017. Actual spending on facilities and services was £0.06m less than budgeted, which included £0.2m carried forward from the previous financial year. At the end of the year the Authority had general reserves of £4.2m.

Budget compared to actual

2017/18	Budget £'000s	Actual £'000s
Net operating expenditure	12,075	12,349
Levy on local authorities	(10,187)	(10,187)
Net general fund surplus	1,888	2,162
Total financing costs	(1,418)	(1,750)
Movement in reserves	470	412

Capital investment

Capital investment totalled £3.6m. This was financed by a contribution from revenue (£1.0m), government grants and contributions from other bodies (£0.3m) and earmarked reserves and receipts (£2.3m).

London Olympics 2012

In July 2005, London was awarded the 2012 Olympic Games. Under the Olympic arrangements entered into with the Authority, some of the Authority's land and assets were used and developed. The Olympic Games were held during the summer of 2012 and the Authority retains some contingent liabilities.

Velopark

The Authority continues to retain a contingent liability of up to £5.25m in relation to the lottery funding agreement between the Authority, Sport England and the Olympic Development Agency (ODA). In addition, a contingent liability of £2m exists in relation to a funding agreement with the London Marathon Trust for legacy works. LVRPA paid £3.5m during 2012/13 as its contribution to the construction of the Velopark. This facility is now managed by Lee Valley Leisure Trust Limited trading as Vibrant Partnerships (the Trust) under a contract for services which commenced 1st April 2015 which makes the Trust responsible for delivering the requirements of the funding agreements. The Authority monitors the contract to ensure that the Authority is not at risk of breach in relation to the contingent liability.

We have taken independent advice to assess the appropriate value of the asset. The contingent liabilities are shown in note 37.

Other Olympic Agreements

Third Supplemental Agreement

This agreement was completed on the 7th February 2013 following receipt of both Secretary of State and Sport England consents. The agreement covers arrangements for utilities and individual agreements for substation leases and high voltage cables are still being finalised. All substation leases have been completed together with one of the easements. There is one easement still outstanding which will be finalised as soon as the final documents are agreed. This is an on-going matter and to some extent outside the Authority's control as the contact is awaited from the utility company. This will have no impact on the accounts.

Lee Valley White Water Centre

This asset was transferred to the Authority on 17 December 2010 and the depreciated replacement cost is valued at £22m. The Authority has a contingent liability of up to £900,000 in relation to its lottery funding agreement with Sport England. In addition, the Authority also has a contingent liability of up to £4m in relation to its funding agreement originally with the East of England Development Agency (EEDA). Since the closure of the EEDA, the benefits of this funding agreement rest with the Department for Business, Innovation and Skills. The Authority enhanced this facility further in 2013/14 by investing £6.4m with contributions from the British Canoe Union (£0.8m), Sport England (£0.8m) and a reinstatement contribution from LOCOG (£0.7m). The Authority entered into a variation of its lottery funding agreement with Sport

England to cover the additional amount of funding which increased the total contingent liability. The Authority retains these contingent liabilities but obliges the Trust to satisfy the requirements under the funding agreements on behalf of the Authority.

The land and building valuation of this asset has been included in the statements. The contingent liabilities are shown in note 37.

Parklands in Queen Elizabeth Olympic Park

The Authority has agreed that two separate plots of land in the North of the Park will be leased back to the LLDC at a peppercorn rent (£1) for twenty-five years and at £20,000 per annum for forty years respectively, and will place an obligation on the LLDC in relation to the parklands lease to carry out grounds maintenance of the parklands which has been estimated by the LLDC to be up to £25,000 per annum. The area of land which has been leased for the forty year period at £20,000 per annum has been independently valued at £320,000 and this lease was completed in 2013. The lease of the land in the North of the Park for the 25 year period was completed in February 2018. .

Pension Scheme

The Authority is a member of the Local Government Pension Scheme, administered by the London Pensions Fund Authority. The net liability (ie the amount by which the pensions liabilities exceed its assets) affects the Authority's net worth as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the Authority's financial position remains healthy. The deficit on the pension scheme will be made good by increased contributions over the employees' remaining working life, as assessed by the scheme actuary.

Transfer of Management of the Venues to the Lee Valley Leisure Trust Limited (Vibrant Partnerships)

In February 2015 (paper A/4201/15) Members approved entering into the Leisure Services Contract (the Contract) commencing on 1 April 2015 between the Lee Valley Regional Park Authority and the Lee Valley Leisure Trust Limited trading as Vibrant Partnerships (the Trust). The contract is intended for a five year period to establish a "sound" operational profile before it goes through a full market testing exercise. All decisions relating to this process were made by the full Authority.

The Trust commenced full operation of the leased Venues under the Contract on the 1 April 2015. The Authority and the Trust have both formally reviewed the Contract as part of the mid-contract review and concluded the Trust has met the requirements and objectives as originally set out (Paper E/541/18). The challenge ahead is for the Trust to continue to deliver the services and improve the quality and financial performance at these venues. The Authority monitors performance at officer, senior management and Member level to ensure that performance targets are met and that the ethos of continuing improvement is maintained. The Authority is now preparing to go to the market to re-let these services under contract and leases at the end of the end of the current contract term.

Land and Property Strategy

The Land & Property Review Working Group was established at the Executive Committee meeting on 17 December 2015 to consider and develop a proposed Corporate Land and Property Strategy for consideration and approval by full Authority.
The terms of reference for the Land & Property Review Working Group were approved as follows:

- To review the land and property portfolio in support of delivery of the Authority's statutory remit and overall objectives
- To review adopted land acquisition policies
- Develop a land and property acquisition/disposal strategy within the parameters of the Lee Valley Regional Park Act 1966 (the Park Act)

The aim of the Working Group was to review the Authority's approach to acquisition and disposal and to consider a fresh approach with the development of a Corporate Land and Property Strategy. In addition to the above and the need to consider raising capital, it is an opportunity to look at sites which are not delivering benefit for the Regional Park. The disposal of properties may also reduce revenue costs as maintenance obligations for some areas of land would be reduced. Conversely acquisition of land may increase revenue costs for the maintenance and management of the land.

The Authority has generally adopted a cautious approach for any disposals based on prevailing Counsel's opinion at the time and independent advice prior to any disposal of land. More recent advice has explored a more flexible approach, in particular, to disposal where land is no longer required for the purposes of any of the Authority's functions. This has the potential for raising capital for enabling development and/or opportunity for enhancement of existing open space and/or opening of currently closed land within the Regional Park.

Following approval of the Corporate Land and Property Strategy by the Executive Committee in December 2016, the Authority adopted the Strategy on 19 January 2017. A review of the areas of land for potential disposal has been undertaken and discussed with the Member working group. At the appropriate time each area of land is brought forward for a decision by the Executive Committee and/or Authority and is reflected in the balance sheet accordingly.

Borrowing and Capital Funding

The Authority has the facility to borrow funds for capital expenditure from the Public Works Loan Board (PWLB). Short term borrowing is covered by our bank overdraft.

The Capital Financing Requirement measures the underlying need to borrow for capital (not revenue) purposes. It does not necessarily mean that borrowing will be undertaken. The following capital financing requirements are based upon the value of the Authority's depreciated value of fixed assets less provisions set aside for loan repayment

	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
LVRPA	£13.7m	£13.2m	£12.7m	£12.2m	£11.7m	£11.2m

Any new borrowing in the future must be self-funded, for example via efficiency savings, levering in external funding, new income streams or through the levy. Capital Investment in the current year has been funded from the Authority's accumulated cash balances and, as a result, no new external long term borrowing has been undertaken. The Authority no longer carries any external debt and external borrowing at 31 March 2018 totalled £0.

The estimated impact of capital investment decisions on the levy is shown in the table below. Where additional revenue from the levy is used to finance capital expenditure this would have an impact on contributing authorities. This would mean that the Authority would need to increase the levy over the current level. The base indicator for 2017/18 is £1.8m and is shown in the table below. This figure takes account of the resourcing requirements for the capital programme and was included in a report to Members as part of the 2016/17 (revised) to 2020/21 capital programme. As part of the 2017/18 budget setting process Members of Authority approved a reduction of £0.5m in financing capital directly from revenue to utilise existing capital reserves available as part of the capital resourcing programme. These capital reserves will become depleted over time unless new capital receipts are identified in the future.

	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Direct Revenue	£1.0m	£0.9m	£0.4m	£0.4m	£0.4m	£0.4m
Capital Fund	£0.3m	£0.3m	£0.3m	£0.3m	£0.3m	£0.3m
R & R Fund	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m
Total:	£1.8m	£1.7m	£1.2m	£1.2m	£1.2m	£1.2m

Economic Climate

The economic climate has, and will continue to impact on the public sector purse and particularly the finances of the Authority. The Authority sets the annual budget in the context of a three year business plan and a ten year business strategy. The assumptions behind this forecast are reviewed annually; the medium term financial plan is restated and then approved by elected Members. The Authority is conscious of the financial pressures faced by the levied authorities and the spending assessments that impact on them. The levy was reduced by 6% for 2018/19 (-6% for 2017/18) which was the eighth consecutive year of reduction. Officers and Members are committed to providing on-going savings to achieve economy and efficiency of public funds whilst delivering its own core objectives detailed in the three year Business Plan 2016 – 2019. The levy for 2019/20 will be set subject to inflation and other economic factors prevailing at the time. The aspiration is to reduce the levy by 25% through to 2021.

The Authority is continuing a robust plan of income generation and major development projects across the Regional Park to deliver its remit and reduce the reliance on the levy. The key measure has been to ensure that the reliance on the levy fell to 53.0% of the maximum that the Authority could legally charge. This target was achieved in 2013/14 and for 2018/19 it currently stands at 38.8% of the maximum chargeable – a cost per head of population of £0.81p. The Senior Management Team manages a variety of major and smaller projects to develop the Regional Park and its Venues within the Leisure Services Contract, create efficiencies and generate further income. The proposals from this group are considered by Members of the Executive Committee and full Authority.

Financial liabilities relating to the Olympic venues were significant, in particular, the business rates attributed to the Velopark, the Lee Valley White Water Centre and LV Hockey & Tennis Centre. These liabilities were recognised within the medium term financial plan. Since April 2015 the business rate liability on venues (transferred into the Trust) have achieved 80% mandatory rate relief thus reducing the financial burden by £1.7m per year.

Revenue Reserves

The Authority's current Reserves Policy states that the Authority should maintain a minimum general reserve balance of £4m and was reaffirmed at the Annual Budget and levy setting meeting of the full Authority on 18 January 2018. The individual usable reserves are explained below:-

General Fund

The general fund reserves currently stand at £4.2m. It is anticipated that if all the carry forwards from 2017/18 (£60,000) are spent in 2018/19 the balance at the year end will be approximately £4.1m.

Earmarked Reserves

The Authority maintains renewal and repair funds to replace equipment and for major repairs to buildings or structures that cannot be funded in one year from service revenue budgets. An insurance fund is also maintained to self-insure certain risks that are not otherwise covered by the insurance policies of the Authority. For example storm damage and insurance excesses on existing policies. All services are charged an annual premium, with policy excesses for claims against the Authority by third parties charged to the fund balance in any given year.

Capital Receipts Reserve

There is a balance of £15.1m on this reserve mainly due the sale of the option land at Olympic Park but also through sales identified from the Corporate Land & Property Strategy.

Capital Fund

The Authority sets aside 3% of its Levy each year in accordance with the Lee Valley Regional Park Act section 49 (30) for capital expenditure purposes. A proportion of the capital fund has been ring-fenced to finance future capital expenditure on the Olympic assets, whilst the remainder of the fund has been drawn down to finance capital expenditure in 2017/18.

The Annual Governance Statement (AGS) highlights the major risks and uncertainties the Authority faces in the years ahead and highlights the impact of the London 2012 Olympics legacy on the Authority as it continues to establish the legacy facilities within its normal business operating environment. The AGS highlights the risks and opportunities the Authority faces having moved the majority of its venues into a charitable Trust. The AGS again highlights the impact of the ongoing poor economic climate and demonstrates the Authority's response to the pressure on the public purse.

The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice.

CIPFA's recommended accounting practice complies, with International Financial Reporting Standards (IFRS) subject to appropriate agreed variations for Local Authorities. The change to IFRS from Generally Accepted Accountancy Principles (GAAP), made three years ago, allows inter-authority comparison and brings benefits in consistency and comparability between financial reports whilst continuing to follow private sector best practice.

The accounts consist of:

- the Comprehensive Income and Expenditure Statement: This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices;

- the Balance Sheet: The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority;
- the Movement in Reserves Statement: This statement shows the movement in the year on the different reserves held by the Authority;
- a Cash Flow Statement: This shows the total cash we received and how we used it; and
- a Statement of Accounting Policies: These describe the main principles used to prepare the accounts.

Following a review of the presentation of local authority accounts, CIPFA made some changes to the 2016/17 Code, with the introduction of an Expenditure and Funding Analysis.

The objective of the Expenditure and Funding Analysis is to demonstrate to levy payers how the funding available to the Authority (ie government grants, rents, fees and charges and the levy) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure and Expenditure and Funding Analysis, now include a segmental analysis that represents how we are structured, and how we operate, monitor and manage financial performance. This means that we are now no longer required to recharge the cost of support services to the individual service headings. In order to ensure that comparison to previous year's expenditure is consistent, the cost of support services has been reversed out of the service headings. The Total Net Cost of Services will remain the same, although the total expenditure and income reported in the prior year accounts will be reduced for comparison in the current Statement of Accounts.

To assist general readers of these accounts, we have explained some of the main technical terms in notes to the accounts and in a glossary.

The unaudited accounts were issued on 22 May 2018 and the audited accounts were authorised for issue on XX July 2018.

Simon Sheldon
Director of Finance and Resources
XX July 2018

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority must

- arrange for the proper administration of its financial affairs and ensure that one of its officers is responsible for administering those affairs – that officer is the Director of Finance and Resources;
- must manage its affairs to secure economic, efficient and effective use of resources and safeguarding its assets; and
- approve the Statement of Accounts.

The Director of Finance and Resources responsibilities

The Director of Finance and Resources is responsible for preparing the Authority's statement of accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code requires that the accounts present a true and fair view of the financial position at the accounting date and income and expenditure for the year ended 31 March 2018.

In preparing this statement of accounts, the Director of Finance and Resources:

- Selected suitable accounting polices and then applied them consistently;
- Made judgements and estimates that were responsible and prudent; and
- Complied with The Code.

The Director of Finance and Resources has also:

- Kept proper accounting records that were up to date; and
- Taken reasonable steps to prevent and detect fraud and other irregularities.

I certify that these statements of account present a true and fair view of the financial position of the Authority as at 31 March 2018 and the income and expenditure for the 2017/18 financial year.

Simon Sheldon
Director of Finance and Resources
XX July 2018

Frances Button
Chair – Audit Committee
XX July 2018

ANNUAL GOVERNANCE STATEMENT 2017/18

Scope of responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority does not have a duty under the Local Government Act 1999 in the same way that local authorities do to make arrangements to secure continuous improvement when exercising its functions, having regard to a combination of economy, efficiency and effectiveness; but it considers and adopts these elements as a matter of best practice.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

The Authority has adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Good Governance in Local Government. This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the Authority and its activities for which it is accountable to its stakeholders and the wider community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks likely to impair the achievement of the Authority's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

The governance environment

A clear statement of the Authority's purpose and vision is set out in "The Lee Valley Regional Park Authority Business Strategy 2010-2020". The Authority's objectives are set out in the Performance Management Framework. These are translated into more specific aims and objectives in the service improvement plans which are prepared annually. The achievement of these objectives is monitored by the Senior Management Team, the Performance Team, the Executive and Scrutiny committees.

The Authority does not have directly elected Members but Members appointed to the Authority by local councils. Members are responsible for setting policies and priorities and for the efficient and effective use of resources. The behaviour of Authority Members is regulated through a Model Code of Conduct made by statutory instrument, which is adopted and regulated within their own Councils' systems and which is supported by a Members' planning code of good practice within this Authority. Employees are also subject to a Code of Conduct and a number of specific policies (e.g. on whistle blowing, IT usage, bullying and harassment) which are set out in the Employee Handbook. Advice on these matters is embedded through on-going training.

The Authority does not have a formal constitution but relies on a traditional local authority committee model. Policy and decision making are facilitated by a clear framework of delegation set out in the Lee Valley Regional Park Act 1966, the Authority's Standing Orders and Financial Regulations. This sets out, among other things, where responsibility lies for developing and delivering policy, and for taking decisions. The Standing Orders and Financial Regulations provide for some delegation to officers but within a policy framework laid down by the Authority, and with the more significant executive decisions being taken by the elected Members of the Executive Committee and the Full Authority.

Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Standing Orders to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness of decision making.

Risk management is embedded in the Authority through a Corporate Risk Management Framework (Paper AUD//18) which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Authority maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk. Risk management awareness is an integral part of the Authority's employee/management competency framework. The Director of Finance & Resources leads on matters of risk for the Authority and reports directly to the Audit Committee who receive reports on risk management at each meeting and who take appropriate action to ensure that corporate business risks are up-to-date; being actively managed; and agree the soundness of the Authority's risk management arrangements.

The Authority's programme for securing continuous improvement in its services is set out in the Performance Management Framework. Actions for improvement are drawn from a variety of sources including internal audit; the Authority's own service reviews and, external inspections such as those undertaken by Quest, Green Flag and the British Safety Council. An annual assessment of performance, detailing future performance targets, is set out in the Annual Performance Management Report.

The Director of Finance & Resources is designated as the responsible officer for the administration of the Authority's financial affairs under section 151 of the Local Government Act 1972 and section 11 (1) of the Lee Valley Regional Park Act 1966. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Authority's money laundering, whistle blowing and anti-fraud, bribery & corruption reporting officer. Policies relating to whistle blowing anti-fraud, bribery & corruption were approved by Members of the Audit Committee in September 2017 (Paper AUD/81/17) and approved by the full Authority in October 2017 (Paper A/4246/17). This is supported by Authority wide awareness training for all staff and elected Members. These policies are normally reviewed every third year (unless legislation or regulations change) and review of these particular policies was completed in September 2017. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Authority has a performance management framework through which quality of service is measured through corporate performance indicators which in turn are reported through the Annual Performance Management Report. This is monitored by the Senior Management Team and scrutinised on a six-monthly basis by the Executive Committee and a quarterly basis by the Scrutiny Committee.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, recommendations from the Annual Internal Auditor's report, comments and recommendations made by the external auditors and other reviews by independent agencies.

The terms of reference for the Audit Committee requires it to monitor and review the Authority's system(s) of internal financial control and authorise/approve the Annual Governance Statement; it also monitors and reviews the Authority's Health & Safety and risk management policies and programmes.

The Internal Auditor reports to the Authority's Director of Finance & Resources, but in order to ensure independence has direct access to the Chief Executive, Monitoring Officer and the Audit Committee.

The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is incorporated in the Annual Internal Audit Report to the Audit Committee. The Annual Internal Audit Report for 2017/18, which was presented to the Audit Committee on 21 June 2018 (Paper AUD/XX/18), concluded that, based on the internal audit work undertaken, the Authority's internal control systems are considered to be adequate and effective.

The Audit Committee approved a Risk Management Strategy in May 2010 (Paper AUD/06/10) (in which it was concluded that risk management arrangements are an established part of business operations and are entrusted with senior officers). The Strategic Risk Register has undergone regular monitoring this year. A new Risk Management Strategy was approved by the Audit Committee on 21 June 2018 (Paper AUD/XX/18). A full review of the risk register was undertaken in the Spring of 2018.

The Audit Committee also ensure a robust management framework for Health & Safety is maintained. Annually all sites are audited by the Health & Safety contractor - with a 90% (plus) approval rating and independent assurance. Every third year the work of the Authority is independently assessed by a third party (British Safety Council). The British Safety Council carried out an independent audit in March 2016 and have awarded the Authority a 5* rating (their highest level score) providing further assurance regarding the management of risk for Health & safety. Health and Safety matters were reported separately to the Audit Committee in the Annual Health & Safety report to the Audit Committee on 21 June 2018 (Paper AUD/XX/18).

Senior Managers continue to review the processes and controls they have in place to allow them to achieve their service objectives. Reporting on financial and performance management information to the Executive Committee and the Scrutiny Committee has taken place over the course of the year. Based on the information provided during the year and reviews of data quality, controls can be seen to be satisfactorily in place.

The review of the effectiveness of the system of internal control is informed by:

The work of managers within the Authority;
The work of the Internal Auditor;
The work of the Health & Safety contractor;
The work of Corporate Risk Management;
Performance Management Information; and
The External Auditors in their Annual Audit Results report.

The results of the review of the Authority's system of internal control have concluded that it is satisfactory and effective.

Significant Governance Issues

The Authority has received significant assets as a result of the London 2012 Olympics. The London Legacy Development Corporation completed the legacy transformation works at the Lee Valley VeloPark, and Lee Valley Hockey & Tennis between April 2013 and May 2014. These assets were transferred to the Authority and are recognised in the accounts. These additional asset transfers are valued in excess of £100m, and with that comes a responsibility to manage and operate these as economically and efficiently as possible and in line with the Lottery Funding Agreements with Sport England that the Authority has entered into.

The Authority's existing governance structure was put in place in 2009. It was reviewed in July 2010 and 2015 to ensure management and decision making processes remained robust, relevant and fit for purpose. Members continue to review the committee structures on an annual basis at the AGM – the most recent review in July 2017 (Paper A/4243/17). In support of the Full Authority there are Executive, Audit, Scrutiny and Regeneration and Planning committees covering all areas of the Regional Park. Relevant Member working groups are established annually and cover Park wide strategic initiatives as well as specific major projects and initiatives.

Members agreed to the establishment of an Independent Remuneration Panel (IRP) to carry out a review of the remuneration of the roles of Chairman and Vice Chairman at the Executive Committee in April 2016 (Paper E/443/16). An IRP was convened and an update on progress reported to the AGM in July 2016 with a full report on the IRP recommendations on remuneration for the Chairman and Vice Chairman being reported to the full Authority in October 2016. The IRP recommended that there would be a 1% increase for both remunerations with a further 1% per annum until the current Trust contract expires at which point the remuneration should be reviewed taking into consideration the impact and any changes to the roles from any future contract. The full Authority noted and approved the recommendations from the IRP but deferred the increase in remuneration until 1st July 2017 to coincide with the commencement of the new four year term of office.

The Authority reviewed its own financial reporting requirements in the context of the International Financial Reporting Standards (IFRS) which were embedded as part of the 2010/11 final accounts process. Annually accounting policies, estimates and assumptions are reviewed by the Director of Finance & Resources and approved by the Audit Committee (Paper AUD/87/18), to ensure they are relevant and up-to-date and that they accord with best practice.

The economic climate has, and will continue to impact on the Public Sector purse and particularly the finances of the Authority. The Authority sets the annual budget in the context of a three year business plan and the ten year business strategy. The assumptions behind this forecast are reviewed annually; the medium term financial forecast is restated and then approved by Members. The Authority is conscious of the financial pressures faced by the levied authorities and the spending assessments that impact upon them. The levy has been reduced by 6% for 2018/19 and for the previous ten years – a real term decrease in excess of 45%. Officers and Members are committed to providing on-going savings and efficiencies to achieve economy and efficiency through the best use of public funds whilst delivering its own core objectives detailed in the new three year Business Plan 2016 – 2019 and statutory role. Consideration of the levy in future years will be subject to inflation and other economic factors prevailing at the time. The aspiration is to reduce the levy by 25% up to 2021 with a 12% reduction already achieved since 2017/18.

The Authority is continuing a robust plan of income generation and major development projects across the Park to deliver its remit and reduce the reliance on the levy. The key measure has been to ensure that the reliance on the levy fell to 53.0% of the maximum that the Authority could legally charge. This target was achieved in 2013/14 and for 2018/19 it currently stands at 38.8% of the maximum chargeable – a cost per head of population of £0.81p. The Senior Management Team manages a variety of major and smaller projects to develop the Park and its Venues, create efficiencies and generate further income. The proposals from this group are considered by Members of the Executive Committee and full Authority.

In November 2013 (Paper A/4176/13) Members of the Authority agreed to setting up Lee Valley Leisure Trust Limited now trading as Vibrant Partnerships (the Trust), set up as a Co-operative and Community Benefit Society (previously an Industrial and Provident Society) for the purpose of managing the Authority's operations. It also established a Member Task and Finish Work Group to provide oversight and enable detailed discussions on the many aspects of this process. Members explored a variety of operational options including seeking discretionary rate relief for its venues from 'host' Local Authorities while assessing which venues should be included within the scope of a charitable Trust. The Local Authorities were not able to provide a sustainable solution through discretionary rate relief and this option was discounted. In February 2015 (paper A/4201/15), Members approved the Leisure Services Contract commencing on 1 April 2015 between the Lee Valley Regional Park Authority and the Trust. The contract is intended for a five year period to establish a "sound" operational profile.

The Trust commenced full operation and management of the Venues on the 1 April 2015 and has now completed three successful years of its five year contract. The Authority and the Trust have both formally reviewed the contract as part of the mid-contract review and concluded the Trust has met the requirements and objectives as originally set out (Paper E/541/18). The challenge ahead is for the Trust to continue to deliver the services and improve the quality and financial performance at these venues. The Authority has ongoing monitoring arrangements in place at officer, senior management and Member level to ensure that performance targets are met and that the ethos of continuing improvement is maintained. The Authority is now preparing to go to the market to re-let these services under contract and leases at the end of the end of the current contract term.

The Authority's approved 2016-2019 business plan ensures it continues to meet existing and new corporate priorities that are emerging and this has fed into the medium term financial planning of the Authority. Having established the operational model for its 14 sport and leisure venues, the Authority will, as part of the new business plan (2019 to 2022), review all service areas with the aim of determining the most cost efficient and effective delivery mechanisms.

Reporting on the Authority's use of Public Funds demonstrates to stakeholders and Council Tax payers how their money is spent. Closing the accounts in a timely manner and receiving an unqualified Audit opinion provide information and evidence to those stakeholders about how the Authority works.

Shaun Dawson
Chief Executive
XX July 2018

Paul Osborn
Chairman
XX July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEE VALLEY REGIONAL PARK AUTHORITY

The independent auditor's report will be included within the Statement of Accounts at the conclusion of the audit.

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund £000s	Capital Receipts £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves £000s
Balance as at 31 March 2017		(8,344)	(17,465)	(61)	**(25,870)**	(157,904)	**(183,774)**
Movement in Reserves 2017/18							
(Surplus) / deficit on provision of services		3,681			**3,681**		**3,681**
Other comprehensive income & expenditure					**0**	(20,048)	**(20,048)**
Total comprehensive income and expenditure		**3,681**	**0**	**0**	**3,681**	**(20,048)**	**(16,367)**
Adjustments between accounting basis and funding basis under regulations	4	(3,149)	2,283	0	**(866)**	866	**0**
Increase/decrease in 2017/18		**532**	**2,283**	**0**	**2,815**	**(19,182)**	**(16,367)**
Balance carried forward		**(7,812)**	**(15,182)**	**(61)**	**(23,055)**	**(177,086)**	**(200,141)**

	Note	General Fund £000s	Capital Receipts £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves £000s
Balance as at 31 March 2016		(9,698)	(17,465)	(61)	**(27,224)**	(163,178)	**(190,402)**
Movement in Reserves 2016/17							
(Surplus) / deficit on provision of services		3,145			**3,145**		**3,145**
Other comprehensive income & expenditure					**0**	3,484	**3,484**
Total comprehensive income and expenditure		**3,145**	**0**	**0**	**3,145**	**3,484**	**6,629**
Adjustments between accounting basis and funding basis under regulations	4	(1,791)	0	0	**(1,791)**	1,791	**0**
Increase/decrease in 2016/17		**1,354**	**0**	**0**	**1,354**	**5,275**	**6,629**
Balance carried forward		**(8,344)**	**(17,465)**	**(61)**	**(25,870)**	**(157,903)**	**(183,773)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2017/18			2016/17		
		Expenditure	Income	Net Total	Expenditure	Income	Net Total
	Note	£000s	£000s	£000s	£000s	£000s	£000s
Chief Executive		1,519	(87)	1,432	1,278	(3)	1,275
Corporate Services		4,796	(1,499)	3,297	5,558	(703)	4,855
Financial Services		2,629	(636)	1,993	2,077	(637)	1,440
Parklands and Open Spaces		5,763	(1,170)	4,593	4,945	(1,179)	3,766
Leisure Venues Management		2,822	0	2,822	3,103	0	3,103
Cost of services		**17,529**	**(3,392)**	**14,137**	**16,961**	**(2,522)**	**14,439**
Other operating income and expenditure	6	58	(78)	(20)	47	0	47
Financing and investment income and expenditure	7	2,119	(2,144)	(25)	2,228	(2,064)	164
Non-specific grant income	8	0	(10,411)	(10,411)	0	(11,505)	(11,505)
(Surplus) / deficit on provision of services	19			**3,681**			**3,145**
(Surplus)/deficit on revaluation of plant, property and equipment assets	9			(16,485)			(2,096)
Remeasurement of the net defined benefit liability/asset	29			(3,563)			5,580
Other comprehensive income and expenditure				**(20,048)**			**3,484**
Total comprehensive income and expenditure				**(16,367)**			**6,629**

BALANCE SHEET

	Note	2017/18 £000s	2016/17 £000s
Property, plant and equipment			
Land and buildings	9	185,953	173,752
Vehicles, plant, furniture and equipment	9	3,864	4,128
Infrastructure	9	2,062	2,158
Community assets	9	34,464	34,464
Investment properties	9	5,176	4,961
Assets held for sale	9	5,375	0
Biological assets	9	226	234
Total non current assets		**237,120**	**219,697**
Long term debtors		880	881
Long term assets		**880**	**881**
Short term investments	35	8,316	12,262
Inventories	12	135	128
Short term debtors	13	1,469	1,433
Payments in advance		208	139
Cash and cash equivalents	14	3,098	1,336
Current assets		**13,226**	**15,298**
Bank overdraft	14	0	0
Short term borrowing	36	0	0
Short term creditors	15	(2,510)	(2,289)
Receipts in advance		(178)	(222)
Current liabilities		**(2,688)**	**(2,511)**
Long term borrowing	36	0	0
Net pension liability	29	(29,913)	(31,198)
Capital grants received in advance	23	(18,484)	(18,394)
Long term liabilities		**(48,397)**	**(49,592)**
NET ASSETS		**200,141**	**183,773**
Usable reserves			
General fund	5	(7,812)	(8,344)
Capital receipts reserve	5	(15,182)	(17,465)
Capital grants unapplied	5	(61)	(61)
Total usable reserves		**(23,055)**	**(25,870)**
Unusable reserves			
Revaluation reserve	17	(47,710)	(31,225)
Pensions reserve	17	29,913	31,198
Capital adjustment account	17	(158,607)	(157,210)
Deferred capital receipts	17	(880)	(881)
Short-term accumulating compensated absences account	17	198	215
Total unusable reserves		**(177,086)**	**(157,903)**
TOTAL RESERVES		**(200,141)**	**(183,773)**

The unaudited accounts were issued on 22 May 2018 and the audited accounts were authorised for issue on XX July 2018

CASHFLOW STATEMENT

	Note	2017/18 £000s	2016/17 £000s
Net surplus / (deficit) on the provision of services		**(3,681)**	**(3,145)**
Adjust net surplus or deficit on the provision of services for investing and financing activities			
Proceeds from the sale of non-current assets	4	(78)	0
Adjust net surplus or deficit on the provision of services for non-cash movements			
Depreciation/impairment of property, plant and equipment	9	4,019	3,785
Revaluation of non-current assets	9	(1,106)	45
Derecognition of non-current assets	9	0	0
Write-off of non-current assets	9	0	0
Changes in the fair value of investment properties	9	(215)	0
Changes in the fair value of biological assets	9	9	23
Capital grants credited on recognition	8	(225)	(668)
Recognition of Donated Assets	8	0	0
Pension fund adjustments	29	2,278	1,457
(Increase)/decrease in long term debtors		1	0
(Increase)/decrease in stock	12	(7)	(18)
(Increase)/decrease in debtors	13	(36)	37
(Increase)/decrease in payments in advance		(69)	(8)
Increase/(decrease) in receipts in advance		(43)	33
Increase/(decrease) in creditors	15	221	(1,759)
Net cash flows from operating activities		**1,068**	**(218)**
Investing activities			
Purchase of non current assets	9	(3,645)	(2,685)
Recognition of non current assets (biological assets)	9	0	0
Proceeds from the sale of non-current assets	4	78	0
Repayment/(purchase) of long and short-term investments	35	3,946	898
Net cash outflow from investing activities		**379**	**(1,787)**
Financing activities			
Repayments of borrowings	36	0	0
Usable capital receipt received	4	0	0
Capital grants received in advance	23	315	372
Net cash outflow from financing activities		**315**	**372**
Net increase or decrease in cash and cash equivalents		**1,762**	**(1,633)**
Cash and cash equivalents at the beginning of the reporting period	14	1,336	2,969
Cash and cash equivalents at the end of the reporting period		**3,098**	**1,336**
Cash and cash equivalents at the end of the reporting period			
Cash and cash equivalents	14	3,098	1,336
Bank overdraft	14	0	0
Cash and cash equivalents		**3,098**	**1,336**

NOTE 01
STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain assets.

Heritage Assets

Heritage assets are assets are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

There is no carrying amount of assets on the Balance Sheet that will be reclassified as heritage assets. The Authority has a number of assets that were considered to fall under the definition of heritage assets that following review will continue to be classified as detailed below:

- Rye House Gatehouse, (Operational Asset)
- Monastic walls at Abbey gardens (Community Asset)
- The Old Mill at Broxbourne Meadows (Community Asset)

Accruals of expenditure and income

- Figures shown in the financial statements are based on the accruals concept, i.e. that income or expenditure is included in the year to which it relates irrespective of whether the authority has actually received the income or incurred the expenditure.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours (deposits held at call) and bank overdrafts. Cash equivalents are short term, highly liquid investments with maturities of 3 months or less at acquisition, that are readily convertible to known amounts of cash. Cash equivalents are held to meet short term liquidity requirements and have an insignificant risk of changing value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Contingent assets

Contingent assets are possible assets which arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Authority's control.

In accordance with the Code, they are not recognised in the accounts, rather they are disclosed as a note to the accounts where the inflow of economic benefits or service potential is probable and can be reliably measured. Contingent assets are continually assessed to determine their position.

Contingent liabilities

Contingent liabilities are either:

a) Possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Authority's control, or

b) Present obligations arising from past events, but is not recognised because:

- It is not probable that a transfer of economic benefits will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

In accordance with the Code, material contingent liabilities are not recognised within the accounts as an item of expenditure, rather, they are disclosed as a note to the accounting statements. Contingent liabilities are subject to a continual assessment to determine their position.

Employee benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

The code requires the Authority to make an accrual in its accounts at year end for any annual leave and flexible working entitlement earned but not taken by employees at the end of the financial year – to the extent that employees are permitted to carry forward annual leave and flexitime to the following year.

The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Pension costs

The Authority participates in one scheme, the Local Government Superannuation Scheme, which is a defined benefit final salary scheme administered by the London Pension Fund Authority (LPFA). The LPFA is designated an 'administering authority' within the Local Government Superannuation Regulations 1995. The LPFA maintains the fund and administers the terms of the scheme in respect of those who participate in it. The employers contributions is set by the Fund's actuary based on three-yearly actuarial valuations.

The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into the following components:

Service cost

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs

- interest cost – net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement

Remeasurements

- the return on plan assets – the annual investment return on the fund assets attributable to the Authority, excluding amounts included in net interest on the net defined liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the pensions reserve as other comprehensive income and expenditure

Contributions

- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional items

Where material income or expenditure transactions have occurred during the financial year their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Financial instruments

Financial liabilities are recognised on the balance sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on carrying amount of the liability, multiplied by the effective rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the borrowing to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of repurchase or settlement.

Financial assets are recognised when the Authority becomes party to the financial instrument contract. Financial assets are classified into two types:

a. Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments which are not quoted in the active market. After initial recognition at fair value, they are measured at amortised cost using the effective interest method. For most of the loans that the Authority has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest); and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

When a soft loan is made, a loss is recorded in the comprehensive income and expenditure statement for the present value of interest that will be foregone over the life of the instrument. A soft loan is a loan made at less than market rates. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

b. Available for sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Government grants and other contributions

Under International Financial Reporting Standards, all such grants are to be treated as revenue income as soon as any conditions relating to the grant have been met. Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Inventories

The Authority values stock and stores at the lower of actual costs and net realisable value, after allowing for obsolescent items. Operational facilities count their shop and café stocks then value them at historic cost price.

Investment properties

Under the Code, an investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Authority's services.

Investment properties are initially measured at cost and thereafter at fair value.

Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

Leases

Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form.

For assets leased under a finance lease, a debtor or creditor should be recognised at the lower of fair value of the asset and present value of the minimum lease payments as appropriate and the annual payments consist of an amount of interest plus an amount to clear the relevant debtor or creditor.

Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts on a straight-line basis over the term of the lease.

Under the Code, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

a. The Authority as Lessee

Finance Lease

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise the levy to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a rent-free period at the commencement of the lease).

b. The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Non-current assets held for sale

The following criteria have to be met before an asset can be classified as held for sale under this section of the code:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).

- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.

- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority generally applies a de-minimus level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimus level , but the aggregate value of similar items purchased in the year exceed the de-minimus level the expenditure may be treated as capital expenditure.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) is capitalised on the accruals basis in the accounts, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

The capital value of any work the Authority undertakes on towpaths is included in the balance sheet as an asset, even though the Authority does not usually own them. Agreements are in place with British Waterways, which allow public access to the towpaths and continuing use of the related facilities.

Surpluses arising on the initial valuation of non-current assets are credited to the revaluation reserve. PPE are re-valued every five years, but adjustments to the valuations are made in the interim to take account of significant changes as they occur. This year a partial revaluation has been commissioned and is reflected in these statements.

Capital expenditure that does not result in the acquisition of an asset is classified as ’revenue expenditure funded from capital under statute (formally deferred charges), and is written out to revenue in the year in which it is incurred.

The Authority accounts for its income from the disposal of PPE on an accruals basis. It is held in a usable capital receipts reserve that can be used to finance new capital expenditure.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cashflows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they a re-reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement..

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. The Authority has assets that are identified as specialised. These include:

- Lee Valley Ice Centre – an ice rink, with ancillary facilities; a steel frame building, clad in corrugated sheeting; and
- Rye House Gatehouse – a listed ancient monument, constructed in 1443, which the Authority uses as a museum.
- Lee Valley Velodrome – the London 2012 Olympic Velodrome
- Lee Valley White Water Centre - the London 2012 Olympic White Water Centre
- Lee Valley Athletics Centre - the pre-Olympic elite athletes indoor/outdoor training centre.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.
Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Component accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the White Water Centre are made up of separate elements that have different useful lives.

There has been no requirement to apply these changes retrospectively and instead components are recognised separately as and when they are replaced.

Depreciation and useful economic life

Depreciation is provided for on the 'building' element of all non-current assets with a finite useful life, except investment and community assets. We calculate it using the reducing balance method.

Non-current assets are not depreciated in the year of acquisition.

PPE have a useful economic life, which is determined by the class of asset. Depreciation is calculated on this life except in the case of investment properties that are not depreciated.

Asset class	**Useful economic life**
Land and buildings	5 - 60 years
Vehicles, plant and machinery	5 -15 years
Infrastructure assets	10 - 40 years
Community assets	n/a

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise its levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (England and Wales)).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision or loans fund principal), by way of an adjusting transaction within the Capital Adjustment Account and in the Movement in Reserves Statement for the difference between the two.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of Property, Plant and Equipment has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. It is the Authority's policy to write off the value of revenue expenditure funded from capital under statute to services and reflect them in the comprehensive income and expenditure statement in the year they arise. The movement in reserves statement will then reflect a transfer from the general fund balance to the capital adjustment account so that there is no impact on the levy.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Reserves

The current system of local authority capital accounting requires three capital reserve accounts to be set up in the balance sheet:

- The revaluation reserve records the accumulated gains on the non current assets held by the authority arising from increases in value as a result of inflation or other factors.

- Capital adjustment account shows amounts set aside from revenue resources or capital receipts to finance expenditure on PPE or the repayment of external loans and certain other capital financing transactions.

- The usable capital receipts reserve, which contains the unused proceeds arising from disposing of assets that can be used to finance future capital expenditure.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management, as well as other unusable reserves such as employee benefits, that are kept to manage the accounting processes.

Earmarked revenue reserves

The Authority maintains renewal and repairs funds to replace equipment and for ongoing repairs to buildings or structures that we cannot fund in one year from service revenue budgets.

The Authority also has a capital fund, financed from contributions from the general fund, which can be used to finance future capital expenditure.

An insurance fund is maintained to self-insure certain risks. An example is storm damage to trees. The fund is also typically used to pay insurance policy excesses for claims against us by third parties. The services are charged with the any excess or claim and we adjust the fund balance by a transfer to or from the general fund.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be reflected in the Surplus or Deficit on the Provision of Services in the comprehensive income and expenditure statement. The reserve is then transferred back into the General Fund balance so that there is no net charge to taxpayers.

Value added tax

The figures in the statements are net of VAT.

Provision for bad & doubtful debts

All amounts outstanding on the sales ledger are reviewed to establish the likelihood of their recovery. Where debt is proving to be difficult to recover we create a provision for it. If that debt is then paid the provision is reversed, should the debt ultimately prove irrecoverable it will be written off against the provision.

Biological Assets

Under IAS41 Agriculture, living animals or plants are classified as biological assets, and agricultural produce is the harvested product of the entity's biological asset. A biological asset, or an item of agricultural produce, is classified as an asset when it is both controlled by, and future economic benefit will flow to, an entity, and that its fair value can be measured reliably.

The Authority operates a working dairy farm, with its dairy cattle classified as biological assets, and the milk produced as agricultural produce.

The Authority uses an independent specialist agricultural stock valuer to establish the values its biological assets at the balance sheet date using the fair value method as and active market exists and a value can be reliably measured. Changes in the fair value are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account.

Group Accounts

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

From 1 April 2015, the Authority entered into a Leisure Services Contract with the Lee Valley Leisure Trust Limited (Vibrant Partnerships) to run the main leisure facilities owned by the Authority. Whilst the Authority is able to appoint up to three members to the board of the Trust, it does not have direct power to influence the operations and activities of the Trust. Therefore, the Authority has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, and is not required to prepare group accounts.

NOTE 02

EXPENDITURE AND FUNDING STATEMENT

	2017/18			2016/17		
	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£s	£s	£s	£s	£s	£s
Services						
Chief Executive	1,147	285	1,432	1,048	227	1,275
Corporate Services	1,053	2,244	3,297	1,671	3,184	4,855
Financial Services	881	1,112	1,993	1,306	135	1,441
Parklands & Open Spaces	3,972	621	4,593	3,490	276	3,766
Leisure Venues Management	2,822	0	2,822	2,520	583	3,103
Net Cost of Services	**9,875**	**4,262**	**14,137**	**10,035**	**4,405**	**14,440**
Other Income and Expenditure	(9,343)	(1,113)	(10,456)	(8,681)	(2,614)	(11,295)
(Surplus)/deficit on provision of services	**532**	**3,149**	**3,681**	**1,354**	**1,791**	**3,145**

	2017/18	2016/17
Opening Fund	(8,344)	(9,698)
Movement	532	1,354
Closing Fund	**(7,812)**	**(8,344)**
General Fund	(4,199)	(4,612)
Renewals Fund	(621)	(551)
Repairs Fund	(612)	(626)
Asset Maintenance Fund	(572)	(1,032)
Insurance Fund	(681)	(647)
Common Areas Sinking Fund	(127)	(126)
Capital Fund	(1,000)	(750)
	(7,812)	**(8,344)**

NOTE 02

EXPENDITURE AND FUNDING STATEMENT

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2017/18	Adjustments of Capital Purposes £000s	Net Change for the Pensions Adjustment £000s	Other Differences £000s	Total Adjustments £000s
Chief Executive	203	70	11	**284**
Corporate Services	2,175	90	(21)	**2,244**
Financial Services	180	936	(4)	**1,112**
Parklands & Open Spaces	355	268	(1)	**622**
Leisure Venues Management	0	0	0	**0**
Net Cost of Services	**2,913**	**1,364**	**(15)**	**4,262**
Other Income and Expenditure	(2,027)	914	0	**(1,113)**
Surplus or Deficit	**886**	**2,278**	**(15)**	**3,149**

2016/17	Adjustments of Capital Purposes £000s	Net Change for the Pensions Adjustment £000s	Other Differences £000s	Total Adjustments £000s
Chief Executive	214	4	9	**227**
Corporate Services	3,169	6	9	**3,184**
Financial Services	200	(71)	6	**135**
Parklands & Open Spaces	248	18	10	**276**
Leisure Venues Management	0	583	0	**583**
Net Cost of Services	**3,831**	**540**	**34**	**4,405**
Other Income and Expenditure	(3,531)	917	0	**(2,614)**
Surplus or Deficit	**300**	**1,457**	**34**	**1,791**

ADJUSTMENTS FOR CAPITAL PURPOSES

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

NET CHANGE FOR THE PENSIONS ADJUSTMENTS

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the CIES.

OTHER DIFFERENCES

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For services this represents the removal of compensated absences accrual for holiday pay

NOTE 03

HERITAGE ASSETS

The 2011/12 CIPFA Code of Practice on Local Authority Accounting introduced a requirement to discolse Heritage Assets seperately. Heritage assets are assets are held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Provided that they meet this definition, heritage assets can include historic buildings, civic regalia, museum collections and works of art.

There is no carrying amount of assets on the Balance Sheet that is classified as heritage assets. The Authority has a number of assets that were considered to fall under the definition of heritage assets that following review will continue to be classified as detailed below:

Rye House Gatehouse, (Operational Asset)
Monastic walls at Abbey gardens (Community Asset)
The Old Mill at Broxbourne Meadows (Community Asset)

NOTE 04

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2017/18	General Fund £000s	Capital Receipts £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s
Adjustments involving the Capital adjustment account				
Reversal of items debited or credited to the Comprehensive income and expenditure statement:				
Charges for depreciation and impairment of non current assets	(4,019)			(4,019)
Revaluation gains of property, plant and equipment	1,106			1,106
Revaluation losses of property, plant and equipment	0			0
Movements in the fair value of investment properties	214			214
Movements in the fair value of biological assets	(8)			(8)
Capital grants and contributions recognised	225			225
Income in relation to donated assets	0			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss to the Comprehensive income and expenditure statement	0			0
Amounts of non current assets written off on derecognition as part of the loss to the Comprehensive income and expenditure statement	0			0
Insertion of items not debited or credited to the Comprehensive income and expenditure statement:				
Statutory provision for the financing of capital investment	550			550
Capital expenditure charged against the General fund/Earmarked Reserves	969			969
Adjustment involving capital receipts reserve				
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	78	(78)		0
Capital expenditure financed from Usable Capital Receipts		2,361		2,361
Adjustments involving the Pensions reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and expenditure statement	(3,007)			(3,007)
Employer's pensions contributions and direct payments to pensioners payable in the year	729			729
Adjustment involving deferred capital receipts				
Principal received in respect of long term debtors (finance leases)	(1)			(1)
Adjustment involving the Short-term compensated absences account				
Amount by which officer remuneration charged to the Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	16			16
	(3,148)	**2,283**	**0**	**(865)**

NOTE 04

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2016/17	General Fund £000s	Capital Receipts £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s
Adjustments involving the Capital adjustment account				
Reversal of items debited or credited to the Comprehensive income and expenditure statement:				
Charges for depreciation and impairment of non current assets	(3,785)			(3,785)
Revaluation gains of property, plant and equipment	419			419
Revaluation losses of property, plant and equipment	(464)			(464)
Movements in the fair value of investment properties	0			0
Movements in the fair value of biological assets	(23)			(23)
Capital grants and contributions recognised	668			668
Income in relation to donated assets	0			0
Amounts of non current assets written off on disposal or sale as part of the gain/loss to the Comprehensive income and expenditure statement	0			0
Amounts of non current assets written off on derecognition as part of the loss to the Comprehensive income and expenditure statement	0			0
Insertion of items not debited or credited to the Comprehensive income and expenditure statement:				
Statutory provision for the financing of capital investment	573			573
Capital expenditure charged against the General fund/Earmarked Reserves	2,314			2,314
Adjustment involving capital receipts reserve				
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	0	0		0
Capital expenditure financed from Usable Capital Receipts		0		0
Adjustments involving the Pensions reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and expenditure statement	(2,181)			(2,181)
Employer's pensions contributions and direct payments to pensioners payable in the year	724			724
Adjustment involving deferred capital receipts				
Principal received in respect of long term debtors (finance leases)	(1)			(1)
Adjustment involving the Short-term compensated absences account				
Amount by which officer remuneration charged to the Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(35)			(35)
	(1,791)	**0**	**0**	**(1,791)**

NOTE 05

USABLE RESERVES

		Balance at 01/04/2016 £000s	Transfers Out 2016/17 £000s	Transfers In 2016/17 £000s	Balance at 01/04/2017 £000s	Transfers Out 2017/18 £000s	Transfers In 2017/18 £000s	Balance at 31/03/2018 £000s
Usable reserves								
General fund		(4,780)	168	0	(4,612)	413	0	(4,199)
Earmarked Reserves								
Renewals Fund	i	(516)	44	(79)	(551)	3	(73)	(621)
Repairs Fund	ii	(657)	127	(96)	(626)	116	(102)	(612)
Asset Maintenance Fund	ii	(2,503)	1,971	(500)	(1,032)	960	(500)	(572)
Insurance Fund	iii	(617)	5	(35)	(647)	1	(35)	(681)
Common Areas Sinking Fund	iv	(125)	0	(1)	(126)	0	(1)	(127)
Capital fund	v	(500)	75	(325)	(750)	56	(306)	(1,000)
		(9,698)	**2,390**	**(1,036)**	**(8,344)**	**1,549**	**(1,017)**	**(7,812)**
Capital receipts reserve		(17,465)	0	0	(17,465)	2,361	(78)	(15,182)
Capital grants unapplied		(61)	0	0	(61)	0	0	(61)
Total Usable reserves		**(27,224)**	**2,390**	**(1,036)**	**(25,870)**	**3,910**	**(1,095)**	**(23,055)**

i. This reserve has been used to meet the costs of eventual replacement equipment within the park

ii. This reserve has been used to meet the costs of repairing equipment within the park

iii. This reserve is used to meet the costs of meeting excess and claims not covered by the insurance policies.

iv. This reserve has been set up to meet potential costs of undertaking work on the shared Picketts Lock Site.

v. This reserve held to improve the facilities of the Authority

NOTE 06

OTHER OPERATING EXPENDITURE

	Note	2017/18 £s	2016/17 £s
Gain/loss on disposal of non-current asset		(£77,700.00)	£0.00
Pension administration expenses	29	£58,000.00	£47,000.00
Total other operating expenditure		**(£19,700.00)**	**£47,000.00**

NOTE 07

FINANCING AND INVESTMENT

	Note	2017/18 £s	2016/17 £s
Interest payable and similar charges	11	£5,993.15	£5,381.63
Net interest on the net defined pension benefit liability/(asset)	29	£856,000.00	£870,000.00
Interest receivable on finance leases (lessor)	26	(£115,903.27)	(£115,944.39)
Investment interest	11	(£66,811.00)	(£121,250.72)
Changes in the fair value of investment properties	9	(£214,875.00)	£0.00
Changes in the fair value of biological assets	9	£8,660.00	£23,365.00
Rental received on investment properties	10	(£498,030.93)	(£498,030.93)
Total Financing and Investmenr		**(£24,967.05)**	**£163,520.59**

NOTE 08

NON SPECIFIC GRANT INCOME

	Note	2017/18 £s	2016/17 £s
Levies on local authorities	32	(£10,186,900.02)	(£10,837,099.90)
Capital grants and contributions	23	(£224,539.23)	(£668,269.80)
Donated Assets	-	£0.00	£0.00
Total Non Spreific Grant Income		**(£10,411,439.25)**	**(£11,505,369.70)**

NOTE 09

NON CURRENT ASSETS

	Land and Buildings £000s	Vehicles, plant and equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets held for disposal £000s	Total excluding Investment prop £000s	Investment Properties £000s	Total 2017/18 £000s
Cost or Valuation								
At 01 April 2017	174,599	6,478	3,132	34,464	0	218,673	4,961	223,634
Additions	3,491	154	0	0	0	3,645	0	3,645
Revaluation								
- recognised in the Revaluation Reserve	13,749	(222)	0	0	0	13,527	0	13,527
- recognised in the provision of services	650	0	0	0	0	650	215	865
Other movements	(5,375)	0	0	0	5,375	0	0	0
At 31 March 2018	**187,114**	**6,410**	**3,132**	**34,464**	**5,375**	**236,495**	**5,176**	**241,671**
Accumulated Depreciation and Impairment								
At 01 April 2017	(847)	(2,350)	(974)	0	0	(4,171)	0	(4,171)
Depreciation charge	(3,545)	(378)	(96)	0	0	(4,019)	0	(4,019)
Depreciation written out								
- to the Revaluation Reserve	2,775	182	0	0	0	2,957	0	2,957
- to the provision of services	456	0	0	0	0	456	0	456
At 31 March 2018	**(1,161)**	**(2,546)**	**(1,070)**	**0**	**0**	**(4,777)**	**0**	**(4,777)**
Net Book Value								
At 31 March 2018	**185,953**	**3,864**	**2,062**	**34,464**	**5,375**	**226,343**	**5,176**	**236,894**
At 31 March 2017	**173,752**	**4,128**	**2,158**	**34,464**	**0**	**214,502**	**4,961**	**219,463**

NOTE 09

NON CURRENT ASSETS

	Land and Buildings £000s	Vehicles, plant and equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets held for disposal £000s	Total excluding Investment prop £000s	Investment Properties £000s	Total 2016/17 £000s
Cost or Valuation								
At 01 April 2016	173,035	6,481	3,128	34,481	0	217,125	4,961	222,086
Additions	2,560	102	4	19	0	2,685	0	2,685
Revaluation								
- recognised in the Revaluation Reserve	(987)	(105)	0	0	0	(1,092)	0	(1,092)
- recognised in the provision of services	(45)	0	0	0	0	(45)	0	(45)
Other movements	36	0	0	(36)	0	0	0	0
At 31 March 2017	**174,599**	**6,478**	**3,132**	**34,464**	**0**	**218,673**	**4,961**	**223,634**
Accumulated Depreciation and Impairment								
At 01 April 2016	(569)	(2,135)	(871)	0	0	(3,575)	0	(3,575)
Depreciation charge	(3,146)	(535)	(103)	0	0	(3,784)	0	(3,784)
Depreciation written out								
- to the Revaluation Reserve	2,868	320	0	0	0	3,188	0	3,188
- to the provision of services	0	0	0	0	0	0	0	0
At 31 March 2017	**(847)**	**(2,350)**	**(974)**	**0**	**0**	**(4,171)**	**0**	**(4,171)**
Net Book Value								
At 31 March 2017	**173,752**	**4,128**	**2,158**	**34,464**	**0**	**214,502**	**4,961**	**219,463**
At 31 March 2016	**172,466**	**4,346**	**2,257**	**34,481**	**0**	**213,550**	**4,961**	**218,511**

NOTE 09

BIOLOGICAL ASSETS

	2017/18	2016/17
	£s	£s
Balance at 1 April		
Dairy Cattle	**234**	**257**
Movement in fair value	(8)	(23)
Balance at 31 March	**226**	**234**

NOTE 10

INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Rental income and expenses for investment properties

	2017/18	2016/17
	£000s	£000s
Rental income from investment property	(498)	(498)
Direct operating expenses arising from investment property	0	0
Net gain	**(498)**	**(498)**

NOTE 11

FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	Long Term		Short Term	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	£000s	£000s	£000s	£000s
Investments				
Loans and receivables	0	0	11,414	13,598
Available-for-sale	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit & loss	0	0	0	0
Total investments	**0**	**0**	**11,414**	**13,598**
Debtors				
Loans and receivables	0	0	1,469	1,433
Financial assets carried at contract amounts	880	881	0	0
Total debtors	**880**	**881**	**1,469**	**1,433**
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	**0**	**0**	**0**	**0**
Other Long Term Liabilities				
PFI and finance lease liabilities	0	0	0	0
Total other long term liabilities	0	0	0	0
Creditors				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	2,510	2,289
Total creditors	0	0	2,510	2,289

NOTE 11

FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Gains and Losses in Relation to Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows.

	2017/18		2016/17	
	Liabilities at amortised cost £000s	Loans and receivables £000s	Liabilities at amortised cost £000s	Loans and receivables £000s
Interest payable and similar charges	6	0	5	0
Interest & investment income	0	(67)	0	(120)
	6	**(67)**	**5**	**(120)**

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Figures have been calculated by reference to the 'premature repayment' sets of rates in force on 31st March 2018 for 2017/18 and 31st March 2017, for 2016/17

Where an instrument will mature in the next 12 months, its carrying amount is assumed to approximate to fair value

For market debt fixed rate debt will need to be assessed on the basis of a present value for the future cash flows due under an instrument, discounted at the rate available currently in relation to the same loan from a comparable lender. Fair value is disclosed at 31st March of each year.

Financial liabilities

	2017/18		2016/17	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial liabilities	0	0	0	0
Long-term creditors	0	0	0	0

The fair value is higher than the carrying amount because the Authority's portfolio of loans are fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

Financial assets

	2017/18		2016/17	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and receivables	12,883	12,883	15,031	15,031
Long-term debtors	880	880	881	881

The fair value is the same as the carrying amount as this is a reasonable approximation of fair value for financial instruments such as short term trade receivables and payables.

NOTE 12

INVENTORIES

	2017/18 £000s	2016/17 £000s
Agriculture produce		
Opening balance	126	109
Net movement	5	18
Closing balance	**131**	**127**
Other stock		
Opening balance	1	1
Net movement	3	0
Closing balance	**4**	**1**
Total		
Opening balance	127	110
Net movement	8	18
Closing balance	**135**	**128**

NOTE 13

DEBTORS

	2017/18 £000s	2016/17 £000s
Central government bodies	227	524
Other local authorities	96	19
All other bodies	1,146	890
Total debtors	**1,469**	**1,433**

NOTE 14

CASH AND CASH EQUIVALENTS

	2017/18 £000s	2016/17 £000s
Cash held by Authority	3	3
Bank current accounts	23	13
Short-term deposits with banks	3,072	1,320
Total cash and cash equivalents	**3,098**	**1,336**

BANK OVERDRAFTS	2017/18 £000s	2016/17 £000s
Bank current accounts overdrafts	0	0

NOTE 15

CREDITORS

	2017/18 £000s	2016/17 £000s
Central government bodies	(85)	(91)
Other local authorities	(5)	(33)
All other bodies	(2,420)	(2,165)
Total creditors	**(2,510)**	**(2,289)**

NOTE 16

PROVISIONS

There are no provisions recognised in the accounts

NOTE 17

UNUSABLE RESERVES

	2017/18 £000s	2016/17 £000s
Unusable Reserves		
Revaluation Reserve	(47,710)	(31,225)
Capital adjustment account	(158,607)	(157,210)
Pensions reserve	29,913	31,198
Short-term compensated absences account	198	215
Deferred capital receipts	(880)	(881)
Total unusable reserves	**(177,086)**	**(157,903)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

• revalued downwards or impaired and the gains are lost
• used in the provision of services and the gains are consumed through depreciation, or
• disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2017/18 £000s	2016/17 £000s
Balance at 1 April	**(31,225)**	**(29,129)**
Upward revaluation of assets	(17,156)	(2,932)
Downwards revaluation of assets	671	836
Surplus or deficit on revaluation of non-current assets not posted to the (surplus) or deficit on the provision of services	(47,710)	(31,225)
Balance at 31 March	**(47,710)**	**(31,225)**

NOTE 17

UNUSABLE RESERVES

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.
The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £000s	2016/17 £000s
Balance at 1 April	**(157,210)**	**(157,509)**
Reversal of items relating to capital expenditure debited or credited to		
the Comprehensive income and expenditure statement:		
- Charges for depreciation and impairment of non current assets	4,019	3,785
- Revaluation gains/losses on Property, plant and equipment	(1,106)	45
- Amounts of non current assets written off on disposal or sale as part of		
the gain on disposal to the Comprehensive income and expenditure		
statement	0	0
Net written out amount of the cost of non current assets consumed in year	**2,913**	**3,830**
Capital financing applied in the year:		
- Capital grants and contributions credited to the Comprehensive income		
and expenditure statement that have been applied to capital financing	(225)	(668)
- Transfer from Usable Capital Grants Account	0	0
- Use of capital receipts to finance new capital expenditure	(2,361)	0
- Use of major repairs fund to finance new capital expenditure	0	(1,336)
- Use of capital fund to finance new capital expenditure	(56)	(75)
- Statutory provision for the financing of capital investment charged		
against the General fund	(550)	(573)
- Capital expenditure charged against the General fund	(913)	(902)
	(4,105)	**(3,554)**
Movements in the fair value of Investment properties debited or		
credited to the Comprehensive income and expenditure statement	(214)	0
Movements in the fair value of Biological Assets debited or		
credited to the Comprehensive income and expenditure statement	9	23
Balance at 31 March	**(158,607)**	**(157,210)**

NOTE 17

UNUSABLE RESERVES

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2017/18 £000s	2016/17 £000s
Balance at 1 April	**31,198**	**24,161**
Actuarial (gains) or losses on pensions assets and liabilities	(3,563)	5,580
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or deficit on the provision of services in the Comprehensive income and expenditure statement	3,007	2,181
Employer's pensions contributions and direct payments to pensioners payable in the year	(729)	(724)
Balance at 31 March	**29,913**	**31,198**

Short-term compensated absences account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £000s	2016/17 £000s
Balance at 1 April	**215**	**180**
Settlement or cancellation of accrual made at the end of the preceding year	(215)	(180)
Amounts accrued at the end of the current year	198	215
Amount by which officer remuneration charged to the Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0
Balance at 31 March	**198**	**215**

NOTE 17

UNUSABLE RESERVES

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.

	2017/18	2016/17
	£000s	£000s
Balance at 1 April	**(881)**	**(881)**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal on the Comprehensive Income and Expenditure Statement	1	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance at 31 March	**(880)**	**(881)**

NOTE 18

CASHFLOW OPERATING ACTIVITIES

The cash flows from operating activities includes the following items

	2017/18 £000s	2016/17 £000s
Interest paid	6	5
Interest received	(67)	(120)

NOTE 19

EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows

	2017/18 £s	2016/17 £s
Expenditure		
Employee expenses	£5,781,613.12	£4,972,885.92
Other services expenses	£8,833,690.97	£8,158,558.55
Support service recharges	£0.00	£0.00
Depreciation	£4,019,069.71	£3,784,909.25
Revaluation and impairment	(£1,105,739.20)	£44,870.13
Interest payments	£5,993.15	£5,381.63
Pension Interest and administration costs	£2,162,000.00	£2,246,000.00
Change in fair value of investment properties	£0.00	£0.00
Change in fair value of biological assets	£8,660.00	£23,365.00
Gain or loss on non-current assets	£0.00	£0.00
Contribution to Capital	£0.00	£0.00
Total expenditure	**£19,705,287.75**	**£19,235,970.48**
Income		
Fees, charges and other income	(£3,889,611.45)	(£3,019,310.68)
Interest & investment income	(£182,714.27)	(£237,195.11)
Return on Pension Assets	(£1,248,000.00)	(£1,329,000.00)
Levies on local authorities	(£10,186,900.02)	(£10,837,099.90)
Change in fair value of investment properties	(£214,875.00)	£0.00
Gain or loss on non-current assets	(£77,700.00)	£0.00
Capital grants and contributions	(£224,539.23)	(£668,269.80)
Total income	**(£16,024,339.97)**	**(£16,090,875.49)**
(Surplus) / deficit on provision of services	**£3,680,947.78**	**£3,145,094.99**

NOTE 20

STAFF REMUNERATION

	Year	Salary £000s	Expenses, fees and allowances £000s	Pension contribution £000s	Total 2017/18 £000s
Senior Officers receiving over £150,000					
Chief Executive Officer (CEO) - S Dawson	2017/18	156	2	34	**192**
	2016/17	154	1	33	**188**
Senior Officers receiving between £50,000 and £150,000					
Managing Director *	2017/18	150	1	32	**183**
	2016/17	148	1	32	**181**
Director of Corporate Services	2017/18	103	2	22	**127**
	2016/17	91	1	20	**112**
Director Of Finance & Resources	2017/18	102	1	22	**125**
	2016/17	94	2	20	**116**
Director of Venues (North) *	2017/18	95	1	21	**117**
	2016/17	94	1	20	**115**
Director of Venues (South) *	2017/18	95	1	21	**117**
	2016/17	94	1	20	**115**
Head of Communications	2017/18	75	2	16	**93**
	2016/17	75	2	16	**93**
Head of Planning & Strategic Partnership	2017/18	74	1	16	**91**
	2016/17	74	2	16	**92**
Head of Sport & Leisure	2017/18	68	2	15	**85**
	2016/17	67	2	14	**83**
Head of Parklands	2017/18	68	1	15	**84**
	2016/17	66	1	14	**81**
Head of Property Services **	2017/18	41	1	9	**51**
	2016/17	67	2	15	**84**

Post titles are as at 31 March, or at date the employee left the Authority.

Expense allowances typically include a car allowance, healthcare and reimbursement for travel and subsistence expenses.

* The positions of Managing Director and Director of Venues (North) were seconded to the Lee Valley Leisure Trust Limited from 1 September 2014. The position of Director of Venues (South) was seconded to Lee Valley Leisure Trust Limited from 1 April 2015. This was to ensure the Trust had senior management with the necessary level of financial, commercial and venue management experience from the start of the contract. The increase in salary reflects the change in role and responsibilities of the employees concerned.

For the duration of the contract, these employees will be paid by the Authority and funding with the Trust will be agreed via the management funding agreement.

** The Head of Property Services left the Authority on 31 October 2017 and as at 31 March 2018 the post was vacant.

NOTE 20

STAFF REMUNERATION

REMUNERATION BANDING

The Authority's employees receiving more than £50,000 remuneration for the year, excluding employer's pension contributions and severance payments, were paid the following amounts.

	2017/18	2016/17
Remuneration Bands *	**No. of Staff**	**No. of Staff**
£50,000 - 54,999	0	1
£55,000 - 59,999	2	1
£65,000 - 69,999	2	3
£75,000 - 79,999	2	2
£90,000 - 94,999	0	1
£95,000 - 99,999	2	3
£100,000 - 104,999	2	0
£145,000 - 149,999	0	1
£150,000 - 154,999	1	0
£155,000 - 159,999	1	1

* Remuneration Bands with no staff in have been excluded.

NOTE 21

MEMBERS ALLOWANCES

The Authority paid the following amounts to members of the Authority during the year.

	2017/18	2016/17
	£s	£s
Allowances	9	9

NOTE 22

TERMINATION BENEFITS

The Authority did not terminate the contracts of any employee during either 2017/18 or 2016/17.

NOTE 23

GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in

	2017/18	2016/17
	£000s	£000s
Credited to Services		
Improvement of open areas of the Authority	23	34

LONG TERM LIABILITIES

	2017/18	2016/17
	£000s	£000s
Grants Receipts in Advance (Capital Grants)		
Improvement of open areas of the Authority	0	0
Other grants	315	372
	315	**372**

CAPITAL GRANTS RECEIVED IN ADVANCE

	2017/18	2016/17
	£000s	£000s
Balance at 1 April	**18,394**	**18,690**
Capital Grants received in year	315	372
Grants credited to Comprehensive Income and Expenditure Account		
that have been used to fund capital expenditure	(225)	(668)
Transfer to Capital Adjustment Account		
Transfer from Capital Grants Unapplied		
Balance at 31 March	**18,484**	**18,394**

NOTE 24

RELATED PARTIES

Related parties are organisations or individuals that, as a result of their relationship with us, may exert, or be seen as exerting, influence over our business. Significant transactions in 2017/18 were as follows:

	2017/18 £000s	2016/17 £000s
Income		
Levies receivable		
As per note 32 for analysis levy	(10,187)	(10,837)
Income included in Comprehensive Income and Expenditure Statement		
Lee Valley Leisure Trust Limited	605	605
Capital grants receivable over £10,000		
England Hockey	0	230
London Legacy Development Corporation	0	142
English Sports Council	315	0
Payments		
Expenditure included in Comprehensive Income and Expenditure Statement		
Lee Valley Leisure Trust Limited	3,302	3,589

The Lee Valley Leisure Trust is a related party.

Income received in the year amounted to £605,390 in respect of Service Level Agreements between the organisations, and payment from the Lee Valley Leisure Trust for employees seconded to the Trust. Payments made in year amounted to £3,301,500 relating to leisure services contract management fee of £2,821,500 and £480,000 for Service Level Agreement charges.

At the year-end, the balance owing to the Trust totalled £282,566. This was in respect of SLA charges owing at year-end and the contribution from the Trust for the Common Areas at Picketts Lock Complex, as well as monies received by the Authority but relating to activities at venues under the operation of the Lee Valley Leisure Trust Limited.

Members and senior officers are required to complete a declaration of related party transactions detailing any relationship that they may have.

Where there are transactions with borough and county councils (for example road sweeping and planning applications) these are conducted at arms length.

The pension scheme administered by the London Pensions Fund Authority (LPFA) is also a related party as it affects the authority and its officers directly. Disclosures about the pension fund are made in Note 29.

This disclosure note has been prepared on the basis of specific declarations obtained in March 2018 in respect of related party transactions. The Authority has prepared this disclosure in accordance with IAS 24 and how it applies to the public sector.

NOTE 25

CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2017/18 £000s	2016/17 £000s
Opening capital financing requirement	**13,749**	**14,322**
Capital investment		
Property, plant and equipment	3,645	2,685
Sources of finance		
Capital receipts	(2,361)	0
Capital Fund	(56)	(75)
Olympic Asset Replacement Fund	0	0
Major Repairs Fund	0	(1,336)
Government grants and other contributions	(315)	(372)
Finance Leases	**(1)**	**(1)**
Direct revenue contributions	(913)	(902)
Minimum revenue provision	(550)	(573)
Closing capital financing requirement	**13,198**	**13,748**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrowing unsupported by government financial assistance.	(551)	(574)
Change in capital financing requirement	**(551)**	**(574)**

NOTE 26

LEASES

AUTHORITY AS A LESSEE

Operating leases

The Authority has one significant operating lease relating to the land for the King George Reservoir.

The future minimum lease payments due under non-cancellable leases in future years are:

	2017/18 £000s	2016/17 £000s
Not later than 1 year	10	10
Later than one year and not later than five years	28	38
Later than five years	0	0
	38	**48**

This land acquired under the operating lease is sub-let, and the future minimum sub lease payments expected to be received by the Authority in future years are:

	2017/18 £000s	2016/17 £000s
Not later than 1 year	11	11
Later than one year and not later than five years	42	42
Later than five years	84	95
	137	**148**

The expenditure charged to the Cultural, Environmental, and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to this lease was

	2017/18 £000s	2016/17 £000s
Minimum lease payments	10	10
Sub lease payments receivable	(11)	(11)
	(1)	**(1)**

NOTE 26

LEASES

AUTHORITY AS A LESSOR

Operating leases

The Authority has a number of properties that have tenants who pay commercial rent. These are treated as operating leases, based on an assessment against the Code.

The future minimum lease payments receivable under non-cancellable leases in future years are

	2017/18 £000s	2016/17 £000s
Not later than one year	291	291
Later than 1 year and not later than 5 years	1,165	1,165
Later than 5 years	21,344	22,170
	22,800	**23,626**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £282k contingent rents were receivable by the Authority (2016/17: £280k).

Finance leases

The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2017/18 £000s	2016/17 £000s
Finance lease debtor as at 31 March	880	881
Unearned finance income	9,475	9,591
Gross investment in lease as at 31 March	**10,355**	**10,472**

Gross investment in lease

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	2017/18 £000s	2016/17 £000s
Not later than one year	117	117
Later than 1 year and not later than 5 years	468	468
Later than 5 years	9,770	9,887
	10,355	**10,472**

NOTE 27

IMPAIRMENT OF NON CURRENT ASSETS

	2017/18 £000s	2016/17 £000s
Impairment as a result of movement in Market Value, charged to the		
Comprehensive Income and Expenditure Statement		
Lee Valley White Water Centre	0	345
Lee Valley Park Farm, Hayes Hill	0	119
Impairment as a result of structural issues that require major repair,		
charged to the Revaluation Reserve		
Abercrombie Lodge, Myddelton House	632	0

NOTE 28

EXTERNAL AUDIT COSTS

	2017/18 £s	2016/17 £s
Fees payable to the Ernst and Young for external		
audit services carried out by the appointed auditor	19	19

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

The Authority participates in the Local Government Pension Scheme, administered by London Pensions Fund Authority. This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund which are calculated to balance the pension liabilities with investment assets.

As part of the terms and conditions of employment of our officers and other employees, we offer retirement benefits. Although these benefits will not actually be payable until employees retire, we must disclose our commitment to make the payments at the time that employees earn their future entitlement.

The table below summarises the membership data as at 31 March 2016 for members receiving funded benefits, and as at 31 March 2016 for any members receiving unfunded benefits.

	Number	Salaries/ Pensions £000s	Average Age
Actives	268	6,936	41
Deferred pensioners	395	723	43
Pensioners	201	1,223	73
Unfunded pensioners	44	76	77

A number of members transferred employment to Lee Valley Leisure Trust Limited from 1 April 2015 on a pass-through arrangement where the Trust will pay contributions in respect of the transferred members but the Lee Valley Regional Park Authority will retain the pensions risk. The above membership summary includes all members of the Authority as well as those that participate in the LPFA Pension Fund under the pass-through arrangement with Lee Valley Trust.

As the Authority are retaining the pensions risk, we retain all the assets and liabilities in respect of these members on our balance sheet.

The Authority recognises the cost of retirement benefits in the net cost of services when the benefits are earned by employees, rather than when they are eventually paid. However, the charge we are required to make against local taxpayers is based on the cash payable in the year, so the real cost of retirement benefits is removed from the income and expenditure statement after net operating expenditure.

The net liability (ie the amount by which the pensions liabilities exceed its assets) of £24.161m affects the Authority's net worth as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the Authority’s financial position remains healthy. The deficit on the pension scheme will be made good by increased contributions over the employees’ remaining working life, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method. This estimates pensions that will be payable in future years depending on assumptions about factors such as mortality rates and salary levels. The scheme liabilities have been assessed by Barnett Waddingham , an independent firm of actuaries, their estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

Demographic/Statistical assumptions

The following set of demographic assumptions have been used, and are consistent with those used for the formal funding valuation as at 31 March 2016. The post retirement mortality is based on Club Vita mortality analysis which has then been projected using the CMI 2015 model and allowing for a long term rate of improvement of 1.5% per annum.

Life expectancy from age 65 years		31/03/2018	31/03/2017
Retiring today	Males	21.4	21.3
	Females	24.3	24.2
Retiring in 20 years	Males	23.7	23.6
	Females	26.6	26.5

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

Financial assumptions

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

Assumptions as at:	**31 March 2018**		**31 March 2017**		**31 March 2016**	
	% per year	**Real %**	**% per year**	**Real %**	**% per year**	**Real %**
RPI increases	3.3%	-	3.6%	-	3.3%	-
CPI increases	2.3%	(1.0%)	2.7%	(0.9%)	2.4%	(0.9%)
Salary increases	3.8%	0.5%	4.2%	0.6%	4.2%	0.9%
Pension increases	2.3%	(1.0%)	2.7%	(0.9%)	2.4%	(0.9%)
Discount rate	2.6%	(0.8%)	2.8%	(0.8%)	3.7%	0.4%

These assumptions are set with reference to market conditions at 31 March 2018.

Balance sheet disclosure as at 31 March 2018

	31/03/2018	**31/03/2017**	**31/03/2016**
	£000s	**£000s**	**£000s**
Present value of defined benefit obligation	75,963	74,489	58,935
Fair value of scheme assets	(47,117)	(44,418)	(35,821)
	28,846	**30,071**	**23,114**
Present value of unfunded obligation	1,067	1,127	1,047
Unrecognised past service cost	0	0	0
Net liability in Balance Sheet	**29,913**	**31,198**	**24,161**

The movement in the net pension liability for the year to 31 March 2018 is as follows:

	31/03/2018	**31/03/2017**
	£000s	**£000s**
Surplus/(deficit) at start of year	**31,198**	**24,161**
Current service cost	2,093	1,264
Employer contributions (regular)	(653)	(648)
Contributions for unfunded benefits	(76)	(76)
Past service costs	0	0
Interest cost	2,104	2,199
Interest income	(1,248)	(1,329)
Remeasurements	(3,563)	5,580
Administration expenses	58	47
Surplus/(deficit) at end of year	**29,913**	**31,198**

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

Remeasurements in Other Comprehensive Expenditure and Income

	31/03/2018 £000s	31/03/2017 £000s
Return on plan assets in excess of interest	1,235	6,050
Other acturial gains/(losses) onassets	0	1,080
Change in financial assumptions	2,328	(14,462)
Changes in demographic assumptions	0	503
Experience gain/(loss) on defined benefit obligation	0	1,249
Changes in effect of asset ceiling	-	-
Remeasurements	**3,563**	**(5,580)**

Profit & Loss Account Costs for the Year to 31 March 2018

	31/03/2018 £000s	31/03/2017 £000s
Service cost	2,093	1,264
Net interest on the defined liability (asset)	856	870
Administration expenses	58	47
Total	**3,007**	**2,181**
Actual return on Scheme assets	**2,483**	**7,379**

Reconciliation of the present value of the defined benefit obligation

	31/03/2018 £000s	31/03/2017 £000s
Opening defined benefit obligation	**75,616**	**59,982**
Current Service Cost	2,093	1,264
Interest cost	2,104	2,199
Change in financial assumptions	(2,328)	14,462
Changes in demographic assumptions	0	(503)
Experience (gain)/loss on defined benefit obligation	0	(1,249)
Estimated benefits paid	(1,426)	(1,536)
Past service costs	0	0
Contributions by employees	1,047	1,073
Unfunded pension payments	(76)	(76)
Closing defined benefit obligation	**77,030**	**75,616**

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

Reconciliation of fair value of employer assets

	31/03/2018 £000s	31/03/2017 £000s
Opening fair value of employer assets	**44,418**	**35,821**
Interest income on assets	1,248	1,329
Return on assets, excluding interest	1,235	6,050
Other actuarial gains/(losses)	0	1,080
Administration expenses	(58)	(47)
Contributions by employer including unfunded	729	724
Contributions by employees	1,047	1,073
Estimated benefits paid plus unfunded	(1,502)	(1,612)
Closing fair value of employer assets	**47,117**	**44,418**

The estimated asset allocation as at 31 March 2018 is as follows

	31/03/2018		31/03/2017	
	£000s	%	£000s	%
Equities	28,810	61.1%	26,318	59.3%
LDI/Cashflow matching	0	0.0%	0	0.0%
Target Return Portfolio	10,560	22.4%	9,386	21.1%
Alternative Assets	-	-	-	-
Infrastructure	2,061	4.4%	2,339	5.3%
Commodities	0	0.0%	0	0.0%
Property	3,391	7.2%	2,265	5.1%
Cash	2,295	4.9%	4,110	9.2%
Total	**47,117**	**100.0%**	**44,418**	**100.0%**

NOTE 29

DISCLOSURE OF NET PENSION ASSETS AND LIABILITIES

Sensitivity analysis

	31/03/2018 £000s	Increase in assumption £000s	Decrease in assumption £000s
Adjustment to discount rate (increase/decrease by 1%)		**+0.1%**	**-0.1%**
Present Value of Total Obligation	77,030	75,554	78,536
Projected Service Cost	2,510	2,449	2,573
Adjustment to long term salary increase (increase/decrease by 1%)		**+0.1%**	**-0.1%**
Present Value of Total Obligation	77,030	77,174	76,886
Projected Service Cost	2,510	2,510	2,510
Adjustment to pension increases and deferred revaluation (increase/decrease by 1%)		**+0.1%**	**-0.1%**
Present Value of Total Obligation	77,030	78,393	75,693
Projected Service Cost	2,510	2,573	2,449
Adjustment to mortality age rating assumption (increase/decrease by 1 year)		**+1 year**	**-1 year**
Present Value of Total Obligation	77,030	79,826	74,335
Projected Service Cost	2,510	2,591	2,433

Projected pension expense for the year to 31 March 2019

	31/03/2019 £000s
Service cost	2,510
Net Interest on the defined liability/(asset)	754
Administration expenses	61
Total	**3,325**
Employer contributions	650

NOTE 30

NATURE AND RISKS OF FINANCIAL INSTRUMENTS

Risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

credit risk – the possibility that other parties might fail to pay amounts due to the Authority

liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments

market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

The Authority carries out certain functions for which charges are levied and invoices have to be raised. Facilities should secure payment for provision of services before the date of the event. Where ongoing agreements are in place payment is collected at the beginning of the contract or by monthly instalments by direct debit. As a result of this Authority has a proportionally small Accounts Receivable Ledger for an organisation its size. The Authority's policy is to set aside a provision for bad debts in order to minimise the effect of default by customers and the provision made for debts as at 31st March 2018 was £1,914.

At 31st March 2018 amounts owed by customers stood at £473,000, (£537,000 31st March 2017). In this context a customer is any person or organisation for whom an invoice is raised in the Authority's main accounts receivable ledger. Ranging from small value invoices to individuals to multi-million pound invoices for contracted works. The Authority's standard terms are for payment within 30 days, and payment up front for hire of facilities. The £473,000 outstanding is analysed by age as follows.

Aged debtor profile

	2017/18 £000s	2016/17 £000s
Less Than 30 Days	316	285
31 to 60 Days	16	140
61 to 90 Days	2	3
91+ Days	139	109
	473	**537**

Generally no provision is made for debts less than 12 months old except where there are concerns about specific debts. Debts over 12 months old will usually be the subject of litigation or agreed payment plans and the decision on whether to provide for them, and for how much, will depend upon individual circumstances which include an assessment of current credit status, outstanding county court judgements and the progress of litigation.

Additional credit risk arises from deposits with banks and financial institutions and the Authority's general policy objective is to invest its surplus funds prudently. The Authority's investment priorities are:

security of the invested capital

liquidity of the invested capital

an optimum yield which is commensurate with security and liquidity

The Authority sets limits on principal amounts invested and the duration of those investments, dependant on the financial standing of institutions and applied sector and country limits in line with their financial strength.

The Authority's Treasury Management Policy states that deposits can be made with banks and the top 7 listed Building Societies. Full details can be found in the Authorities Treasury Management Policy.

The operation of some building societies does not require them to have a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Authority uses such building societies that have a minimum asset size of £10,000 million, but restrict these types of investments.

The CLG's Guidance on Investments, revised during 2009/10, reiterated security and liquidity as the primary objectives of a prudent investment policy. Although the Guidance becomes operative on 1st April 2010, its principal recommendations run parallel to the credit risk management requirements in the revised Treasury Management Code. In the revised Guidance, Specified Investments are those made with a body or scheme of "high credit quality".

Both the Guidance and the revised Treasury Management Code emphasise that counterparty credit criteria should not rely on credit ratings alone but should include a wider range of indicators. The revised Code requires that ratings assigned by all three rating agencies – Fitch, Moody's and Standard & Poor's – be taken into account and the lowest rating be used

After the particularly torrid economic recession and a severe downturn in growth that extended into early 2009, there were some signs of a 'recovery'. In order to stimulate growth, the Bank of England maintained the Bank Rate at 0.5% throughout the year and also took extreme measures to revive the economy through its Quantitative Easing (QE) programme. The increased supply of money in the system due to QE did not however translate into an increase in the movement of money in the system as banks were, and still are, unwilling to lend.

Therefore during another year of economic uncertainty and the continued reluctance of 'bank to bank' lending, managing counterparty risk continued to be the Authority's overwhelming investment priority

The following analysis summarises the authority's potential maximum exposure to credit risk as at 31 March 2018.

Credit rating of institutions holding investments

	Long Term Credit Rating	Sum Invested as at 31/03/18 £000s	Sum Invested as at 31/03/17 £000s
FITCH rating agency			
Upper Medium Grade	A	62	62
Lower Medium Grade	BBB+/BBB	10,240	9,450
Highly Speculative	B	0	0
Not Rated		1,086	4,070
Total invested		**11,388**	**13,582**

The following analysis summaries the authority's potential maximum exposure to credit risk based on experience of default and non-collection over the last five financial years.

Default rate and non collection rate

	Amount at Nominal Value 31/03/2018 £000s	Historical experience of defaults 31/03/2018 £000s	Amount at Nominal Value 31/03/2017 £000s	Historical experience of defaults 31/03/2017 £000s
Deposits with banks and financial institutions at nominal value	11,388	0	13,582	0

The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

NOTE 30

NATURE AND RISKS OF FINANCIAL INSTRUMENTS

Liquidity Risk

The authority ensures it has adequate though not excessive cash resources, borrowing arrangements, overdraft and standby facilities to enable it, at all times, to have the level of funds available which are necessary for the achievement of its business / service objectives.

The Authority has access to the following to assist with liquidity:

An overdraft facility of £50,000 overnight with our bankers – NatWest Bank.

A Special Interest bearing account with Natwest

A Call account with Santander PLC from which monies can be 'called back'

As the Authority has access to borrowings from the Public Works Loan Board, there is not thought to be a significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

	2017/18	**2016/17**
	£000s	**£000s**
Less than 1 year	0	0
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
More than 5 years	0	0
	0	**0**

Market Risk

The Authority seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek protection from the effects of such fluctuations.

The Authority is exposed to significant risk in terms of its exposures to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

Borrowings at variable rates – the interest rate expense charge to the Income and Expenditure Account would rise

Borrowings at fixed rate – the fair value of the liabilities borrowings would fall

Investments at variable rate – the interest income credited to the Income and Expenditure Account would rise

Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure or Movement in Reserves. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound.

Price Risk

The Authority manages its exposure to fluctuations in prices so as to minimise any detrimental impact on its budged income / expenditure levels. The Authority does not invest in instruments such as equity shares as part of its Treasury function and thus has no exposure to loss arising from movements in price.

Foreign Exchange Risk

The Authority manages its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budged income / expenditure levels. The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

NOTE 31

INTERNAL INSURANCE

We manage insurable risk externally, through commercial insurance, and from our own resources. Services contribute to the insurance fund to cover agreed liabilities, such as storm damage to trees, and certain uninsured losses, particularly insurance-claim excesses. The surplus or deficit shown is the difference between total contributions from services, and claims made or provided for in the year. Surpluses are normally re-invested in (and deficits made good from) the insurance fund.

NOTE 32

ANALYSIS OF LEVY

	2017/18 £000s	2016/17 £000s
Corporation of London	19	20
Inner London boroughs		
Camden	232	251
Greenwich	204	212
Hackney	180	190
Hammersmith and Fulham	199	212
Islington	203	215
Kensington and Chelsea	251	271
Lambeth	272	288
Lewisham	213	224
Southwark	252	261
Tower Hamlets	233	239
Wandsworth	337	359
Westminster	333	358
Outer London boroughs		
Barking and Dagenham	124	131
Barnet	365	387
Bexley	209	225
Brent	245	255
Bromley	338	362
Croydon	318	337
Ealing	292	312
Enfield	250	269
Haringey	198	206
Harrow	219	234
Havering	228	244
Hillingdon	255	274
Hounslow	217	229
Kingston Upon Thames	161	172
Merton	190	204
Newham	185	196
Redbridge	225	238
Richmond Upon Thames	232	248
Sutton	188	202
Waltham Forest	194	205
Hertfordshire and Essex authorities		
Hertfordshire	1,146	1,225
Essex	1,348	1,442
Thurrock	132	140
Total levies on local authorities	**10,187**	**10,837**

NOTE 33

NON-CURRENT ASSET VALUATIONS

Following partial valuations in the previous four financial years, the Authority undetook a full asset valuation in 2013/14. This exercise was undertaken by Montagu Evans, Chartered Surveyors, as part of a five year rolling programme. Valuation were made in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

The valuations comply with the reporting requirements to show, where appropriate, the separate value of land and the separate value of buildings for those prescribed catagories of non-current assets together with the value of components of those specified non-current assets on the next occasion when one of the following events occurs with each of the specified non-current assets:- acquisition, significant additional spend or change to the economic life of the asset or the next time it is to be re-valued in the five year rolling programme.

NOTE 34

INFORMATION ON ASSETS HELD

Lee Valley Park was established in 1967 to help meet the leisure needs of the people of London, Hertfordshire and Essex. It stretches along 23 miles of the River Lea from east London to Ware in Hertfordshire. It was created to regenerate 4000 hectares of land and water for a wide range of sporting, leisure and nature conservation activities.

A breakdown of our significant fixed assets, excluding investment properties, is given below:

Leisure/sports centres	Lee Valley Ice Centre, Leyton
	Lee Valley Athletics Centre
	Lee Valley White Water Centre
	Lee Valley Velopark
	Lee Valley Tennis and Hockey Centre
Golf courses	Lee Valley Par 3 Golf Course, Leyton
	18 - hole golf course at Lee Valley Leisure Complex
Riding centre	Lee Valley Riding Centre, Leyton
Farms	Holyfieldhall Farm, Waltham Abbey
	Hayes Hill Farm, Waltham Abbey
Boatyards	Lee Valley Marina, Springfield, Clapton
	Lee Valley Marina, Stanstead Abbotts
Campsites/caravan parks	Lee Valley Campsite, Sewardstone
	Lee Valley Caravan Park, Dobbs Weir
Sports ground	Myddelton House sports ground
Heritage sites	Three Mills Centre
	Myddelton House Gardens, Enfield
	Rye House Gatehouse, Hoddesdon
	Lee Valley Waterworks Centre
	Gunpowder Park, Waltham Abbey
	Abbey Gardens, Waltham Abbey
The Park and its open spaces	Spitalbrook, Broxbourne
(Community assets)	Essex & Middlesex Filter Beds, Leyton
	Tottenham Marshes
	Waltham and Cheshunt Marshes
	Fishers Green, Waltham Abbey
	Cathagena Estate, Broxbourne
	Wharf Road, Wormley

We also directly own over 1,400 hectares of the land and water resources which make up a total of about 4,000 hectares of the Lee Valley from Ware in Hertfordshire to the Thames at East India Dock.

NOTE 35

INVESTMENTS

Short term investments	**2017/18** **£000s**	**2016/17** **£000s**
Maturing within 7 days	0	62
Maturing between 7 days and 3 months	1,086	5,098
Maturing between 3 months and 1 year	7,230	7,102
	8,316	**12,262**

NOTE 36

BORROWINGS

Long term borrowing	2017/18 £000s	2016/17 £000s
Analysis of loan by type		
Public Works Loan Board	0	0
	0	0
Analysis of loan by maturity		
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
More than 10 years	0	0
	0	0

Short term borrowing	2017/18 £000s	2016/17 £000s
Analysis of loan by type		
Public Works Loan Board	0	0
	0	0

ANALYSIS OF LOAN BY MATURITY

Loan maturity schedule	2017/18 £000s	2016/17 £000s
Short-term borrowing		
Loans Maturity Within 1 Year	0	0
Long-term borrowing		
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
More Than 10 years	0	0
	0	0
Total Loans	0	0
Amount applied to loan repayment	0	0

LOAN MOVEMENT SUMMARY		
Total loans outstanding 01 April	0	0
New loans taken out	0	0
Loans repaid	0	0
Total loans outstanding 31 March	0	0

NOTE 37

CONTINGENT ASSETS AND LIABILITIES

There is evidence of contaminated land in some areas of the Park. At this stage the level of contamination and the associated costs of any remedial action cannot be quantified, some work has been undertaken to review existing studies carried out on areas of land in the park. Action has been undertaken to restrict public access on some sites where recommended. The Authority has also approved the adoption of a Contaminated Land Policy Statement. In addition the Executive Committee set up a Contaminated Land Working Group of Authority Members and the next stage will be to progress a Contaminated Land Strategy. It is intended that an action plan will then be put in place for a review of the Authority's land holding over a 5 year period to consider the extent of this problem and then seek to estimate any contingent liability.

In respect of the Lee Valley White Water Centre, the Authority has a contingent liability of £0.9m in relation to its lottery funding agreement with Sport England and £4m in relation to its funding agreement with East of England Development Agency (EEDA).

There is also a contingent liability of £5.25m for the Velopark in relation to the joint lottery funding agreement between the Authority, Sport England and the Olympic Development Authority. In addition the Authority also has a contingent liability of £2m in relation to a funding agreement with the London Marathon Trust.

NOTE 38

EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date.

NOTE 39

Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Authority has to make judgements about complex transactions, or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

Capital grants received in advance

Officers have reviewed all grants that are classified as capital grants received in advance, to ensure that where conditions had been met, grants were correctly written off to the comprehensive income and expenditure statement. In numerous cases, for grants over ten years old, ie. those received before 2004/05, there is insufficient evidence to support the view that any conditions would still apply.

The majority of grants usually require management and maintenance for ten years, and it could reasonably be assumed that these conditions have now been met. Therefore, these grants have been written back to revenue in 2014/15 and the impact can be seen on the non-specific grant income line on the comprehensive income and expenditure statement. Amounts are then appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

Group accounts

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority's control over other entities.

The Lee Valley Leisure Trust Limited is a charity set up as an Industrial and Provident Society to run the main leisure facilities owned by the Authority from 1 April 2015. Whilst the Authority is able to appoint up to three members to the board of the Trust, it does not have direct power to influence that operations and activities of the Trust. Therefore, the Authority has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, and is not required to prepare group accounts.

NOTE 40

Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contained estimated figures that are based on assumptions made by the Authority about the future of that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the Authority's balance sheet at 31 March 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

The net pension liability can vary considerable year on year, due to the complex ways in which the assumptions interact. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1,476,000

A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Property, plant and equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The life of our assets vary considerable, due to the mature and age of particular assets; land and buildings vary between 5 and 60 years, with vehicles, plant and machinery between 5 and 15.

If the useful live of assets is reduced, then depreciation will increase and the net carrying amount of the assets falls.

We carry out a full review of our assets on a five yearly basis, although year on year we review a percentage of our assets for possible change in value and/or useful life.

Under its Land & Property strategy the Authority has taken decisions to declare certain parts of its land portfolio as surplus to the Park's requirements. Where and asset has formally been approved as surplus by the full Authority it has been classified as a non-current asset held for sale.

NOTE 41

Accounting standards that have been issued but have not yet been adopted

The Code of Practice requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The following standards have been issued, that relate to future accounting periods.

- IFRS 9: Financial Instruments (effective from 1 January 2018 and to be adopted into 2018/19 Code)

    - This included:
    - a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed
    - a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39
    - new provisions on hedge accounting

- IFRS 15: Revenue from contracts with customers (effective from 1 January 2018 and to be adopted into 2018/19 Code)
    - IFRS 15 provides a comprehensive standard for revenue recognition to address inconsistent practices.

- Amendment to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

- IFRS 16: Leases (effective from 1 January 2019 and to be adopted into 2019/20 Code)
    - IFRS 16 establishes a new accounting model for lessees in which all leases result in an entity (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

Accounting policies
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

I. recognising;
II. selecting measurement bases for; and
III. presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the income and expenditure account or balance sheet it is to be presented.

Actuarial gains and losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

I. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
II. the actuarial assumptions have changed.

Capital expenditure
Expenditure on the acquisition of a non-current (IFRS term – SORP term fixed) asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Class of long term assets
The classes of long term assets required to be included in the accounting statements are:

Property, plant and equipment, expected to be used in more than one period;

- Investment property;
- Intangible assets;
- Long term investment;
- Investment in associates and joint ventures; and
- Surplus assets, held for disposal.

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.
Operational assets Non-operational assets:

Community assets
Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Consistency
The principle that the accounting treatment of like items within an accounting period, and from one period to the next is the same.

Contingent Asset
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability
A contingent liability is either:

I. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
II. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and democratic core
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Current service cost (pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment
For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

I. termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and

II. termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Revenue expenditure funded from capital under statute
Expenditure which may properly be capitalised, but which does not result in, or remain matched with, assets controlled by the Authority. For instance, capital grants given to external bodies, or loans awarded for capital purchases.

Defined benefit scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation
The measure of the cost or re-valued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, the passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discretionary benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the local government (discretionary payments) regulations 1996.

Estimation techniques
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example;

I. methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period; or
II. different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as whole rather than individual balances.

Events after the balance sheet date
Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the statement of accounts is authorised for issue.

Exceptional items
Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected rate of return on pensions assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another.

Finance lease
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90 per cent or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90 per cent or more of the fair value of the leased asset, it should not be automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction be reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

IAS 19 (under SORP FRS17)
IAS 19 is the UK accounting standard relating to pensions accounting. It requires that an organisation should account for retirement benefits when it is committed to give then, even if the actual giving will be many years into the future. IAS 19, the code standard covers a wider range of benefits than FRS17, the SORP standard, as it includes not only short term benefits but post employment, e.g. pensions, other long term employee benefits and termination benefits. It requires all short term benefits to be accounted for as they are earned. IAS 19 also distinguishes between accumulating and non accumulating benefits.

Going concern
The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure assets
These are assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy, for example highways and footpaths

Interest cost (pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties
Interest in land and/or buildings:

I. in respect of which construction work and development have been completed; and
II. which is held for its investment potential, with any rental income being negotiated at arm's length.

Investments (non-pensions fund)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long-term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Liquid resources
Current asset investments that are readily disposal by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Net book value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net current replacement cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net realisable value
The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-operational assets
Non-current assets held by the Authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Authority. There are three categories of non-operational assets; investment properties; assets that are surplus to requirements and assets under construction. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it should be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arms length.

Operating leases
A lease other than a finance lease.

Operational assets
Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Past service cost
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Prior period adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Related parties
Two or more parties are related parties when at any time during the financial period:

I. one party has direct or indirect control of the other party; or
II. the parties are subject to common control from the same source; or
III. one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
IV. the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

I. central government;
II. local authorities and other bodies' precepting or levying demands on the council tax;
III. its subsidiary and associated companies;
IV. its joint ventures and joint venture partners;
V. its members;
VI. its chief officers; and
VII. its Pension Fund.

Examples of related parties of a pension fund include its:

I. administering authority and its related parties;
II. scheduled bodies and their related parties; and
III. trustees and advisers.

These lists are not intended to be comprehensive.
For individuals identified as related parties, the following are also presumed to be related parties:

I. members of the close family, or the same household, and
II. partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

Related party transactions
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

I. the purchase, sale, lease, rental or hire of assets between related parties;
II. the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
III. the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
IV. the provision of services to a related party, including the provision of pension fund administration services;
V. transactions with individuals who are related parties of an authority or a pension fund, except that applicable to other members of the community or the pension fund, such as council tax, rents and payments of benefits.

This list is not intended to be comprehensive.
The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Residual Value
The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either

I. an employer's decision to terminate an employee's employment before the normal retirement date or
II. an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibilities for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

I. a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
II. the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
III. the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks
The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

I. goods or other assets purchased for resale;
II. consumable stores;
III. raw materials and components purchased for incorporation into products for sale;
IV. products and services in intermediate stages of completion;
V. long-term contract balances; and
VI. finished goods.

Tangible non-current assets
Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Useful life
The period over which the Authority will derive benefits from the use of a non-current asset.