



Lake District  
National Park

# Statement of Accounts 2019/20



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# **NARRATIVE REPORT**

## **FOR THE PERIOD 1 APRIL 2019 TO 31 MARCH 2020**

### **Introduction**

The Lake District National Park Authority is an independent local authority, forming part of the system of local government in the Lake District. It does some, but not all, of the work that is done by County and District Councils in other areas of the country. Other local authorities operating inside the Lake District National Park have an important role to play.

The National Parks and Access to the Countryside Act 1949, subsequently amended by the Environment Act 1995, sets out key responsibilities through two statutory purposes for National Parks:

- To conserve and enhance the Parks' natural beauty, wildlife and cultural heritage; and
- To promote opportunities for the understanding and enjoyment of the special qualities (of the Parks) by the public.

The Authority's services are delivered so as to contribute to the Vision for the Lake District National Park. The Vision sets out the strategic aims of the Lake District National Park Partnership, which is comprised of many key stakeholders in the future of the Park. The Vision's strategic aim is that the Lake District National Park will be an inspirational example of sustainable development in action. It will be a place where its prosperous economy, world class visitor experiences and vibrant communities all come together to sustain the spectacular landscape, its wildlife and cultural heritage. Local people, visitors, and the many organisations working in the National Park, or have a contribution to make to it, must be united in achieving this

The Partnership's near-term objectives are set out in the Partnership's Plan. The current plan covers the a six year period up to 2020 and will ensure that the Lake District's World Heritage Site Status is protected and that we remain on track to achieving our 2030 Vision of the Lake District. A refreshed Partnership Plan is under development and will be launched in 2021.

The Authority's strong working relationships with all member organisations within the Partnership are essential to its success in effective service delivery, working together to combine expertise and skill sets in the most effective ways. This model of operation allows the Authority to add significant value to the delivery of the Partnership's Plan, which is the management plan for the National Park.

The Authority's responsibilities within the Partnership's Plan are formalised in, and monitored with reference to, the Authority's Business Plan, which sets out actions and milestones relating to our contribution to thematic areas such as a Prosperous Economy, World Class Visitor Experiences, Vibrant Communities, Spectacular Landscape, Wildlife and Cultural Heritage and Demonstrating a High Performance Culture.

These documents can be found on the Authority's website.

Our financial planning is set out in our Medium Term Financial Strategy. The strategy formalises the Authority's key revenue and capital principles in relation to the management of its finances, given the prevailing financial environment. It sets out projections for future years' budgets over a four year period to inform understanding of the likely availability of financial resources, which will be used in the provision of services. The Medium Term Financial Strategy can also be found on the Authority's website.

One of the Authority's key responsibilities to its communities is to act as the Planning Authority for the geographical area of the National Park. Other principal services include work in areas such as conservation, recreation management and transport, promoting understanding, rangers and volunteers, and forward planning and communities. Ethics are very important to the Authority and are central to our day-to-day work. Our organisational culture is represented by our core values, which underpin all actions and decision making. These are to be:

- Empowered – we think creatively, encouraging innovation, adapting to change and being willing to take risks
- Forward Thinking – we plan for the future, recognising that our future sustainability is in our own hands
- Leaders – we lead the way, delivering the vision and inspiring people and the landscape to flourish
- Nurturing – we nurture the Lake District, our teams and where we work, respectfully managing the Lake District National Park on behalf of those who live, work or visit here
- Proud – we are proud of the Lake District and what we do at the Lake District National Park Authority, which drives us to be our best
- Team Players – we cooperate and work together, creating a sense of belonging where trust thrives.

## **Background**

The aim of our Statement of Accounts is to demonstrate the overall financial position of the Authority at the end of the 2019/20 financial year. The information included in these accounts incorporates spending relating to the Windermere Registration Scheme. The Registration Scheme has separate accounting records to ensure the proper control of registration fee income, the costs of administering the scheme and lake byelaw enforcement.

The Authority's accounts for the year ending 31 March 2020 are presented in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). This format incorporates the requirements of International Financial Reporting Standards (IFRS) wherever this is possible.

## **External Financial and Economic Environment**

The Department of Environment, Food and Rural Affairs (Defra) sets the level of Government funding for the National Park Authority on an annual basis through National Park Grant. For 2019/20 the level of core funding allocated by Defra saw an overall increase of around 1.72% on funding received in 2018/19. The Authority set a balanced revenue budget for 2019/20 based on funding from Defra and an estimate of the level of additional income it could earn from other sources. In 2019/20 the Lake District National Park Authority was not required to levy local councils to generate funding.

## **Covid-19**

The current Medium Term Financial Strategy was approved just as the Covid-19 pandemic began to have a significant impact across the UK. As restrictions were imposed and the national "lock-down" implemented a number of commercial sites were forced to close, resulting in a significant reduction in income during the visitor season. In order to mitigate this, we have undergone an extensive review of our budgets and formally revised our annual budget for 2020/21 to reflect the impact of the pandemic. The Authority engaged in a constructive dialogue with DEFRA as soon as it was apparent that Covid-19 was going to have a significant financial impact. As a result of this DEFRA have undertaken to provide some additional funding to assist the Authority in reaching a balanced budget in 2020/21. We have also reassessed our medium term position on the same basis, briefing our Members informally as work progressed. This has included an Authority wide

restructure, which has yielded sufficient ongoing savings to secure a balanced budget over the medium term. We will formally prepare a revised Medium Term Financial Strategy in late 2020.

### Governance Arrangements

There were no significant changes to governance arrangements in year. Full details of the Authority's governance arrangements can be found in the Annual Governance Statement later in this document.

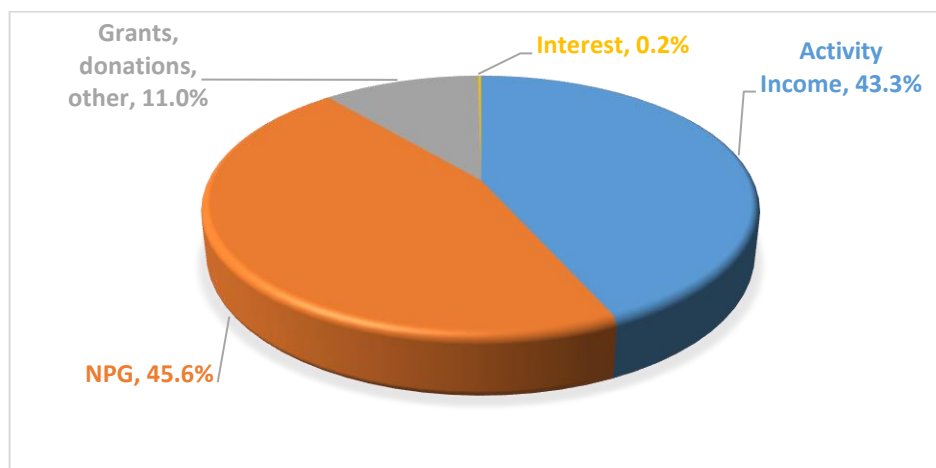
### Sources of Revenue Funds

In addition to Defra National Park Grant, the Authority received other grants and contributions. Our most significant grant receipts were

- Heritage Lottery Fund grants of £182,000 were received as the final payments towards the Rusland Horizons project and Brockhole kitchen garden.
- Lake District Foundation gave £153,000 primarily in support of Fix the Fells.
- Funding of £150,000 was received from the Arts Council in relation to the Lakes Alive arts festival.

Other smaller grants were also received. These funds, together with the anticipated level of other income, formed the basis for the Authority's revenue budget setting. There were no significant variances from budgets.

### Source of Revenue Funds 2019/20



### Sources of Capital Funds

In 2019/20 the Authority received significant external grant funding to deliver the Low Carbon Lake District element of its capital programme. In addition the Authority received a net £141,000 from the sale of assets which, along with part of the balance of capital receipts at the end of 2018/19, and direct revenue funding, were used to finance the 2019/20 capital programme. The balance of capital resources remaining will be used to fund the Authority's capital programme in 2020/21. Further receipts will be required in order to fund capital spend in future years unless alternative methods of funding, such as borrowing or grant financing, are used. The position as regards capital resources held at 31/3/20 is shown below.

	Opening Balance £000	Net Movement 2019/20 £000	Closing Balance £000
Capital Receipts	316	(273)	43
Usable Capital Grants & Contributions	18	2,199	2,217
Capital Support Fund	195	(19)	176
<b>Total Capital Resources</b>	<b>529</b>	<b>1,907</b>	<b>2,436</b>

Rather than setting firm budgets for capital income, the Authority managed its capital spending in accordance with the availability of capital receipts and there are therefore no variances to report as regards capital income.

## Overall Cash Flow

Both revenue and capital funds were monitored and re-projected on a frequent basis. Combining these with projections of the application of funds allowed a cash flow forecast to be prepared, assisting with day-to-day management of cash resources. Cash flows were well managed during 2019/20 and there were no significant issues to report. No cash flow difficulties are forecast within our existing planning horizons.

## Application of Funds

The Authority translates the total resources available into an annual budget, managed by service areas, across which 191 FTE staff are employed. The following table shows how these resources were spent during 2019/20 compared to their respective budgets. The actual spending in the table below summarises all revenue income and expenditure.

	Annual Budget £000	Net Spending £000	Variance £000
Executive, Legal & PA	506	776	270
People & Communications	1,117	1,220	103
Resources	2,088	2,242	154
Commerical Services	(270)	203	473
Development Management	359	279	(80)
Park Management	1,744	1,792	48
Strategy & Partnerships	890	1,052	162
<b>Net Cost of Services</b>	<b>6,434</b>	<b>7,564</b>	<b>1,130</b>
Other Operating Expenditure	10	27	17
Property Related Costs and Gains	415	(2,710)	(3,125)
Non specific grants	(11,391)	(11,391)	0
<b>Total Income &amp; Expenditure</b>	<b>(4,532)</b>	<b>(6,510)</b>	<b>(1,978)</b>
Capital and Accounting Reversals	4,014	6,802	2,788
Revenue Financing of Capital Spend	502	490	(12)
<b>Pre Appropriations Outturn</b>	<b>(16)</b>	<b>782</b>	<b>798</b>
Movement on Other Earmarked Reserves	(94)	(624)	(530)
Movement on General Reserves	110	(157)	(267)
<b>Balanced Revenue Position</b>	<b>0</b>	<b>0</b>	<b>0</b>

This information was reviewed by the Executive Board on a monthly basis.

## **Materiality and Roundings**

The financial statements are prepared and presented based on material grounds taking into account a materiality threshold of £287,000.

The Authority uses rounding to the nearest thousand pounds in the financial statements. Our accounting policies allow for small rounding differences in the accounts. These do not detract from the reader's overall understanding of the Authority's financial performance.

## **Significant Matters Reported in the 2019/20 Accounts**

Total NPG increased from £5,495,000 in 2018/19 to £5,590,000 in 2019/20. The Authority set a balanced budget for 2019/20 and, at that time, also projected a balanced budget for 2020/21. Other non-grant income, including income from chargeable activities at around 43% of the total, is an important source of revenue, which the Authority actively seeks to grow.

Our trading Commercial Services delivered a net contribution during the year despite development works taking place, a challenging summer in terms of weather conditions, and the impacts of Covid-19 at the end of the year. The continued drive for greater efficiency within the Authority meant that the final net revenue overspend against revised budget<sup>1</sup> was £178,000, which is not significant in terms of the core revenue budget. During the year, the system of monthly financial reporting to the Executive Board continued alongside quarterly reporting to the Resources Committee.

In addition to core revenue spending, the Authority also engaged in a number of projects throughout the National Park, working with many of its partners. Where external funding relating to revenue projects was accounted for in 2019/20 but not spent, this income was appropriated to reserves as required by International Financial Reporting Standards. Previously received funding was also drawn down from reserves to fund work in 2019/20, resulting in a net increase in the external grants reserve balance of £55,000 and a final balance of £393,000. Significant capital grant income was also received, with the unspent element being moved to Capital Grants and Contributions Unapplied, taking this reserve's balance to £2,217,000.

Overall Net Assets held by the Authority increased from £277,000 in 2018/19 to £11,826,000 in 2019/20. This has been the result of a substantial capital programme in 2019/20 and revaluations of existing assets.

Total capital expenditure for 2019/20 was £4.49m, £3.48m of which funded the Keswick to Threlkeld multi user trial. This project has attracted external European Structural Investment funds and is an important contributor to the Low Carbon Lake District programme.

Revaluations of the Authority's Investment Properties has resulted in the balance sheet carrying value increasing from £3,233,000 in 2018/19 to £6,388,000 in 2019/20. A comprehensive programme of valuations has been undertaken of woodland assets, which has produced significant increases in value. Changes to lease arrangements at one investment property has also contributed to the overall increase in the value of Investment Property held by the Authority. Non Investment Assets revalued in 2019/20, included the Brockhole site. Significant improvements have been made to the site over the last two years, which along with market conditions and a change in estimation technique has resulted in an increased value of the site.

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<sup>1</sup> Measured at the pre-appropriations outturn line as a percentage of gross revenue spending at the net cost of services line.

This has been a major factor in Property Plant and Equipment assets held on the balance sheet increasing from £12,406,000 in 2018/19 to £19,445,000 in 2019/20

During 2019/20 the Low Carbon Lake District programme gained momentum. This addresses flood repair works and the creation of the Keswick to Threlkeld multi user trail in addition to enabling the introduction of carbon saving technologies at the Brockhole Visitor Centre. The programme includes significant external funding from European Structural Investment Funds and Highways England, with other contributions coming from the Local Enterprise Partnership and the Lake District Foundation.

One significant property disposal took place in 2019/20 and some other properties were marketed during the year. The capital receipts obtained from asset sales completed in 2019/20 have been used, after costs, to part fund the capital programme.

The core capital programme achieved spending of £4,491,000 against a budget of £5,308,000 with no unfunded overspends and spending on a small number of items being deferred into the first quarter of 2020/21. In addition to the usual replacement of vehicles, boats and computing infrastructure, capital spending during 2019/20 also included £3,477,000 on the Keswick to Threlkeld project, £341,000 on sewerage improvements at Brockhole, £192,000 on the boiler at Brockhole and £134,000 on a new patrol boat.

After financing its capital spend, the Authority held unapplied capital receipts of £43,000, and a revenue reserve of £176,000 earmarked for capital purposes. The Authority currently remains debt free but may decide to undertake prudential borrowing to finance capital expenditure in future.

In accordance with proper accounting practice, the Authority must show the present surplus or deficit position on its share of the pension fund. For this Authority, the net position as at 31 March 2020 showed a net liability of £18.4 million compared to a net liability of £18.7 million the previous financial year. This represents a decrease in net liability of £245,000. This figure incorporates a £262,000 up-front payment of our deficit reduction contributions for 2019/20. The action of paying our deficit recovery payments and our employers contributions in advance over three years has resulted in a net saving to the Authority of £87,000. The overall liability has been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years, taking account of assumptions about mortality rates, salary levels and changes to the value of the fund's investments; clearly these may vary. The change in estimated liabilities is due to changes in the financial assumptions used by our Actuaries and a change to the past service liability resulting from a recent Court of Appeal decision. It is emphasised that such estimated liabilities will not become due immediately or all at once, as they relate to estimated pensions payable to current scheme members on their normal retirement dates. The stated position represents only a snapshot as at the end of the financial year, based on prevailing market and other economic conditions and assumptions. As such, it may fluctuate markedly from one year to the next. The fund is revalued every three years and was last valued at 31/3/19, when its funding level reached 99%, a significant improvement on the previous triennial valuation.

## Capital Investment in 2019/20

The Authority's capital investment can be analysed as follows:

Capital Project name	Capital £000	Actual £000	Variance £000	
IT Rolling Replacement Programme	136	96	(40)	Maintenance
Greenside mines	5	0	(5)	Maintenance
Car Park Re-surfacing	10	29	19	Maintenance
CBC New Boats	25	15	(10)	Maintenance
PM Plant & machinery	28	0	(28)	Maintenance
Brockhole equipment (ongoing)	20	12	(8)	Maintenance
Brockhole - WHS	0	49	49	Development
Brockhole Cafe Counter move	34	33	(1)	Maintenance
Brockhole condition survey work	55	56	1	Maintenance
Brockhole entrance/car park & landscaping	0	0	0	Development
Brockhole Grounds & Infrastructure	0	3	3	Maintenance
Brockhole Sewerage System	310	341	31	Maintenance
CBC Development	0	14	14	Development
CBC Development Phase 2	200	0	(200)	Development
Brockhole Café Refurb	0	5	5	Development
Brockhole Lakeshore	0	2	2	Development
LCL - Brockhole Boiler	295	192	(103)	Maintenance
LCL - Brockhole Solar Array	144	11	(133)	Maintenance
LCL - Driverless Pods	92	0	(92)	Maintenance
LCL - K2T Multi-user route	3,741	3,477	(264)	Maintenance
LCL - Project Management	46	0	(46)	Maintenance
Mini Golf Refurbishment	18	0	(18)	Maintenance
New boats Lakeshore	7	13	6	Maintenance
Server room aircon	6	5	(1)	Maintenance
Wasdale Head Toilets	0	4	4	Maintenance
Website	20	0	(20)	Maintenance
Windermere Patrol Boat	116	134	18	Maintenance
<b>Total Capital Programme</b>	<b>5,308</b>	<b>4,491</b>	<b>(817)</b>	

The Authority used the following capital resources to finance its 2019/20 capital spending.

Source of Funding	£000
Useable Capital Receipts	400
Capital Grants & Contributions	3,601
Direct Revenue Financing	459
Capital Support Fund	31
<b>Total Capital Financing</b>	<b>4,491</b>

The Authority continues to strive to provide excellent value for money and has maintained its focus on reducing controllable non-staff spending. Our organisational strategy aims to deliver maximum impact in terms of service delivery by using our staff and other resources in more efficient ways. Our effectiveness is a key consideration and our success in delivering the Vision for the National Park is monitored closely using a number of performance indicators and actions set out in our Business Plan.

Our Investing for our Future (IFOF) programme was further developed in 2019/20, aiming to secure a long-term, sustainable increase in contribution of £1.5 million to improve both service delivery and the Authority's financial resilience. At the end of quarter 3 of 2019/20 we had achieved £746k of IFOF benefits and we were projecting an outturn of £900k for the financial year. In quarter 4 our Commercial Budgets were seriously disrupted by the Covid-19 pandemic as were the IFOF benefits that were pegged to them. In early 2020/21 we paused the programme due to the impact of Covid-19 on the in-year and medium term budgets that provide the IFOF baseline. We will reinstate IFOF or a successor efficiency programme when we have revised our Medium Term Financial Strategy.

Our plans for the re-development of the Brockhole site continued during 2019/20 through a programme of work to deliver a series of incremental improvements to the site, led by visitor feedback and our aim to reduce the Authority's carbon emissions. During 2019/20 improvements were made to both the site's infrastructure and its offer to visitors. These will transform the financial sustainability of the site for the medium term and improve the site's performance from a carbon perspective.

## **Performance and Risk Management**





In 2019/20 we changed our approach to performance management reporting. We no longer include individual performance indicators in our Business Plan; instead, we have a much broader suite of key performance indicators which are monitored at service level. Progress with delivering Business Plan actions, key risks to delivering the Business Plan, key corporate risks and service performance are monitored on a monthly basis by our Strategic Leadership Team and reported quarterly to Executive Board and Resources Committee. Each Head of Service assess their service's performance by considering progress with delivering their Service Plans and performance against their set of key performance indicators.




The Authority's year end (final quarter) performance and risk summary report can be found on the Authority's website.




Covid-19 impacts disrupted the delivery of our Business Plan in the final periods of 2019/20, increased the level of key risks, and disrupted service delivery. At the end of 2019/20:




- 16 of the 25 in-year milestones for Business Plan actions had been completed as planned.
- There were six Business Plan and five corporate risks, with three at a critical or high level.
- Two service areas reported a green status for performance, two reported an amber status, and two reported a red status.


For consistency in our Statement of Accounts, in the table on the following page we have included comparable performance indicators to those we reported in previous years, where we still monitor them, and have shown our performance in 2019/20. At the time of writing, some end of year data was not available due to staff furloughing; in these cases, the most recent data has been shown, together with an indication of whether or not we were on track to achieve the end of year target.

Performance Indicator	2018/19	2019/20		
	Actual	Target	Actual	Target met
<b>Outcome: Contributing to a Prosperous Economy</b>				
<b>Objective:</b> Support diverse economic growth within National Park communities and Cumbria				
Major planning applications determined within 13 weeks	<b>88%</b> (14 / 16)	> 60%	<b>100%</b> (14 / 14)	 Yes
Minor planning applications determined within eight weeks	<b>79%</b> (301 / 382)	> 65%	<b>82%</b> (332 / 406)	 Yes
Other planning applications determined within eight weeks	<b>88%</b> (354 / 403)	> 80%	<b>90%</b> (416 / 464)	 Yes
Potential FTE (full time equivalent) jobs enabled through planning permissions granted	<b>220</b>	> 188	<b>155.5</b>	 No

Performance Indicator	2018/19	2019/20		
	Actual	Target	Actual	Target met
<b>Outcome: Contributing to World Class Visitor Experiences</b>				
<b>Objective:</b> Improve sustainable transport, access and recreation opportunities				
Footpaths and other rights of way which are easy to use, even though they may not follow the definitive line	<b>79%</b> May: 84% November: 74%	> 76%	<b>79%</b> May: 75% November: 84%	 Yes
Miles without Stiles routes which meet their designation category of 'For All', 'For Many' or 'For Some'	<b>no data</b>	> 83%	<b>72%</b> (34 / 47)	 No
<b>Objective:</b> Develop high quality public realm and amenities				
Commercial Services – overall number of visitors (to Brockhole, Coniston Boating Centre, Information Centres, car parks and toilets)	<b>1,548,423</b>	> 1,610,360	<b>1,498,395</b>	 No
<b>Outcome: Contributing to Vibrant Communities</b>				
<b>Objective:</b> Support economic growth within National Park communities				

Performance Indicator	2018/19	2019/20		
	Actual	Target	Actual	Target met
Local needs homes granted planning permission (units)	89	> 30	87	 Yes
Affordable homes granted planning permission (units)	14	> 30	5	 No
<b>Outcome: Contributing to a Spectacular Landscape, Wildlife and Cultural Heritage</b>				
<b>Objective:</b> Celebrate and maintain historic environment				
Conservation areas with up to date management plans and character appraisals	91% (21 / 23)	> 65%	57% (13 / 23)	 No
Number of scheduled monuments at high risk	22	< 30	22* *December 2019	On track
Percentage of listed buildings at risk	4.8% (85 / 1,785)	< 5%	4.3%* (77 / 1,793) *December 2019	On track

Performance Indicator	2018/19	2019/20		
	Actual	Target	Actual	Target met
<b>Outcome: Demonstrating a High Performance Culture</b>				
<b>Objective:</b> Develop our culture by making sure people have the right skills, information and understanding to do their jobs well and safely				
Staff sickness absence – average working days lost per FTE (full time equivalent) staff	4.6 days	< 5.0 days	3.4 days	 Yes
Staff who are satisfied working for the LDNPA	69% (108 / 157)	> 75%	71% (104 / 146)	 No
Staff likely to recommend the LDNPA as a place to work	72% (113 / 157)	> 75%	69% (101 / 146)	 No

Performance Indicator	2018/19	2019/20		
	Actual	Target	Actual	Target met
Number of reported accidents to staff, volunteers and Members per 100,000 working hours (12 month rolling average)	4.3	< 5.0	1.5	 Yes
<b>Objective:</b> Manage efficiently our physical and information assets				
Annual greenhouse gas emissions from National Park Authority operations	436 tonnes	425 tonnes	335 tonnes* *February 2020 year to date	On track

## Investment Plans

The Authority's capital programme routinely includes re-investment in essential business infrastructure, such as operational buildings, boats, vehicles and computer equipment. The Lake District National Park Visitor Centre at Brockhole is an important site, in which the Authority is investing to bring about the realisation of the site's redevelopment.

The Authority is currently debt-free but anticipates that modest borrowing may be necessary to support the financing of the capital programme in 2020/21, in addition to the usual mixture of capital receipts and external grant funding.

## Other Issues

The Authority held only non-material provisions at 31 March 2020. During 2019/20 general debtor write-offs totalled £600 with a further £45,000 financial instrument write-off.

Cash flows during the year were managed within existing resources and there was no need for temporary borrowing. The Authority considers its staff and its positive working relationships with the other members of the Lake District National Park Partnership to be key strengths and drivers for its success and performance. Reserve balances are appropriate and not excessive. There were no material events after the reporting date.

## Changes to Accounting Policies

The 2019/20 Code did not introduce any significant changes, which require a change to our accounting policies, however we have made one adjustment to reflect an approach agreed with our external auditors in relation to how often high value assets will be valued

High value assets included in the Balance Sheet at current value are now revalued annually to ensure that their carrying amount is not materially different from their current value at year end. High value assets are those whose values could lead to a serious or material misstatement of the balance sheet should their valuations become outdated. All other assets included in the Balance Sheet at current value are revalued sufficiently regularly but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

## The Accounting Statements

The accounting statements for the Authority for the period 1 April 2019 to 31 March 2020, set out in the Statement of Accounts, include:

- Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with the Code, rather than the amount to be funded from taxation. Some local authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. This authority does not routinely exercise its powers to raise local taxation and instead relies upon Defra grant and income from chargeable activities.

- Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Reserve Balance. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Reserve Balance before any transfers to or from earmarked reserves undertaken by the Authority.

- 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. Reserves are reported in two categories. The first category shows usable reserves, being those reserves that the Authority may use to provide services. Use of these is subject to the need to maintain a prudent level of reserves and any statutory limitations on their use for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt. The second category of reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses, for example the revaluation reserve, where amounts would only become available to provide services if the assets are sold. It also includes reserves that hold timing differences shown in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

- Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital, for example borrowing, to the Authority.

- Statement of Significant Accounting Policies


This section sets out the accounting policies and principles used in producing the accounts. Unless otherwise stated these are consistent with the guidance notes issued by CIPFA. Changes to accounting policies and principles arising from the Code of Practice on Local Authority Accounting 2019/20 are reflected in the Statement of Accounts. The policies were approved by Members of the Governance Committee on 14 April 2020.

- Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to tax and rent payers how the funding available to this Authority (ie. government grants, rents, etc.) 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 services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Signed:  .....

(Chairman of Governance Committee)

 .....

(Chief Executive)

3 February 2021

## STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Director of Communications and Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard assets.
- To approve the Statement of Accounts .

The Authority approves the Statement of Accounts for the period  
1 April 2019 to 31 March 2020.



Chairman of the Governance Committee

## The Director of Communications & Resources' Responsibilities

The Director of Communications & Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. In preparing this Statement of Accounts, the Director of Communications & Resources has:

- Selected suitable accounting policies and then applied them consistently.
  - Made judgements and estimates that were reasonable and prudent.
  - Complied with the requirements of the local authority Code of Practice.
  - Kept financial records and accounts which were up to date.
  - Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- These accounts were authorised for issue by Kerry Powell CPFA, Director of Communications & Resources on 3 February 2021. 3 February 2021 is the date up to which events after the balance sheet date have been considered.

The Accounts have been prepared in accordance with the requirements of the code and give a true and fair view of the financial position of the Authority as at 31 March 2020 and its income and expenditure for the year then ended.



K Powell, Director of Communications & Resources

## Independent auditor's report to the members of Lake District National Park Authority

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Lake District National Park Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Communications and Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Communications and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Communications and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director of Communications and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

### **Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments**

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 5 to the financial statements, the valuations of investment and operational properties are subject to the 'material valuation uncertainty' declaration issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. As at the valuation date, in the case of the assets valued for the 2019-20 accounts, there is a shortage of market evidence to compare to previous market evidence for comparison purposes, to inform opinions of value. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Our opinion is not modified in respect of this matter. As disclosed in Note 5 to the financial statements, at 31 March 2020 the Authority's net pension liability includes the Authority's share of the pension scheme direct property investments and investments in unquoted property funds. The fair value measurement of these investments at 31 March 2020 is subject to the same material valuation uncertainty (issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards), outlined above in connection with the valuation of the Authority's investment and operational properties at 31 March 2020. Our opinion is not modified in respect of this matter.

### **Other information**

The Director of Communications and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Communications and Resources and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Communications and Resources. The Director of Communications and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Communications and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Communications and Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Lake District National Park Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Gareth Kelly**

Gareth Kelly, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

3 February 2021

# STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

## Introduction and General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS)*.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## Accruals of Income and Expenditure

Income and expenditure is accounted for in the year it relates to, not simply when cash is either received or paid. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are charged as expenditure when they are consumed, before which they are carried as inventories on the balance sheet.
- Interest paid or received is accrued and accounted for in the period to which it relates on the basis of the effective interest rate for the relevant financial instrument that reflects the overall effects of the borrowing or investment generating the interest.
- Where income and expenditure has been recognised, but cash has not yet been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Supplies and services received are accrued and accounted for in the period they are received or used rather than when payments are made.

Where there is an uncertainty that all the income accrued and accounted for will be collected, an allowance for bad debts is charged to the Comprehensive Income and Expenditure Statement, reflecting the value of the income that might not be collected.

## Cash and Cash Equivalents

Cash comprises cash in hand, deposits held with financial institutions repayable without penalty on notice of not more than 24 hours and bank overdrafts. Cash equivalents are short-term, highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in 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.

## **Exceptional Items**

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

## **Prior Period Adjustments, Changes in Accounting Policies and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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 or 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 year period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **Accounting Estimates and Judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the notes. Changes in accounting estimates are applied prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

## **Charges to Revenue for Non-Current Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service. No depreciation charge is made in the year of acquisition but a full year's charge is made in the year of disposal based on the opening value and before any revaluation.
- Revaluation and impairment losses on assets used by the service that are not covered by a balance in the Revaluation Reserve.
- Amortisation of intangible non-current assets attributable to the service.

Depreciation, revaluation and impairment losses and amortisation are reversed out of the General Reserve to the Capital Adjustment Account through the Movement in Reserves Statement. If the Authority had outstanding borrowing it would be required to replace these charges with an annual contribution to reduce its outstanding borrowing. This is known as the Minimum Revenue Provision and is an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

## **Employee Benefits**

### **(i) Benefits Payable During Employment**

Short term employee benefits include wages and salaries, annual leave and flex-time balances at year end. These liabilities are expected to be settled within 12 months of the reporting date. They are recognised as an expense in the year in which employees work for the Authority and are measured at the amounts the Authority expects to pay when the liabilities are settled. The accrual for the cost of any holiday entitlement earned but not taken before the year end, which can be carried forward, is reversed out of the General Reserve through the Movement in Reserves Statement.

### **(ii) Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment or an officer's decision to take voluntary redundancy. They are charged on an accruals basis to the relevant service line of 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 the termination benefits involve the enhancement of pensions the General Reserve is charged with the amount payable by the Authority to the pension fund.

### **(iii) Retirement Benefits**

Many employees of the Authority are members of the Local Government Pension Scheme (LGPS), administered by Cumbria County Council.

The scheme is a funded defined benefit scheme meaning that the scheme provides retirement lump sums and pensions, earned as employees work for the Authority. As a defined benefit scheme it is shown within the Authority's accounts using the following principles:

- The liabilities of the LGPS attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method. This basis uses an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, after considering assumptions about mortality rates, employee turnover and earnings projections for employees.
- Liabilities are discounted to their value at current prices using a real discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of the LGPS 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

Around 87% of LGPS assets are held in equity investments and bond issues with the remainder held in property and other assets.

- The change in the net pension liability is analysed into seven components and recognised in the Statements as follows:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year is charged to service revenue accounts, based on where employees worked, within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement.
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to Non-Distributed Costs within Net Cost of Services in the Comprehensive Income and Expenditure Statement.
- **Net interest on the net defined benefit liability (asset)** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the start of the period to the net defined benefit liability (asset) at the start of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements of the net defined benefit liability** - to be charged to the Pensions Reserve and recognised in Other Comprehensive Income and Expenditure, comprising
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset)
  - Actuarial gains and losses – changes to 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.
- **Contributions paid to the Cumbria County Council Pension Fund** – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Measurement bases applied in respect of the LGPS assets and liabilities are set out in note 34 to the Accounts.

Statutory provisions allow the Authority to charge amounts paid to the pension fund in the year to the General Reserve. This therefore means that within the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional transactions for retirement benefits and replace them with debits for the amounts paid to the pension fund in the year and any amounts payable but unpaid at the year end.

#### **(iv) Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of decision and accounted for using the same policies as are applied to the LGPS.

#### **Events after the Balance Sheet Date**

Events after the Balance Sheet date are events that might have a bearing upon the financial results of the past year and the financial position presented in the balance sheet and that occur between the balance sheet date and the date the financial statements are authorised for issue.

There are two types of post balance sheet event:

- (i) Those that provide evidence of conditions that existed at the balance sheet date. Where material, the financial statements and notes are amended to reflect the impact of these events.
- (ii) Those that are indicative of conditions that arose after the balance sheet date. The financial statements and notes are not amended to reflect these events but additional explanatory notes may be added where the effect is material.

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

#### **Financial Instruments**

Financial instruments held by the Authority are all classed as either financial liabilities or financial assets under the Code. The following items meeting the definition are contained within the Authority's balance sheet.

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. As the Authority is currently debt free it only has one type of financial liability.

##### **(i) Creditors**

Creditors are recognised when a contractual arrangement is entered into between the Authority and a supplier to provide goods and services for an agreed price. The value of the creditors recognised in the balance sheet represents the current value of the outstanding liabilities of the Authority at 31 March as a proxy for amortised cost.

##### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

##### **(ii) Amortised Cost**

Where the Authority's business model is to hold financial assets to collect contractual cash flows, it classifies these financial assets as measured at amortised cost. These 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 at fair value. They are subsequently measured at their amortised cost. The Authority has two types of

assets that meet this class of financial asset, being trade receivables and cash and bank deposits.

Trade receivables are recognised when a contractual arrangement is entered into between the Authority and a debtor for the provision of goods and services for an agreed sum. The value of debtors in the balance sheet represents the current value of the outstanding debts owed to the Authority at 31 March as a proxy for amortised cost. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. The Authority recognises expected credit losses on its trade receivables using the simplified approach to the lifetime credit loss model. Using this approach, expected lifetime credit losses on individual debts are calculated based on an assessed credit risk. Changes to the impairment loss allowance are charged to the Comprehensive Income and Expenditure Statement.

Cash and bank deposits are shown in the Balance Sheet at amortised cost using the effective interest rate of the individual investments. For all the investments that the Authority has made, this means that the amount shown in the balance sheet is the amount of principal due to be repaid to the Authority, and the interest credited to the Comprehensive Income and Expenditure Statement, is the amount receivable by the Authority under the terms of the agreement. Expected credit losses are assessed using the credit rating of the financial institution and the related product.

### **(iii) Fair Value through Other Comprehensive Income**

The Authority has one equity instrument that it has elected to measure at Fair Value through Other Comprehensive Income. This is the only equity instrument held by the Authority and it was entered into to achieve strategic objectives and not for trading purposes. Changes in fair value are accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss is transferred to the General Fund Balance.

## **Government Grants and Contributions**

Revenue grants are recognised as income at the date that there is reasonable assurance that the grant conditions will be met and that the grant will be paid by the funding body. Conditions are stipulations that specify that the grant must be returned to the funder if not used as specified. Grants where conditions have not been met are carried in the Balance Sheet as creditors until conditions are satisfied, at which point they are credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Grants and contributions used to finance the acquisition of a non-current asset are initially credited to Capital Receipts in Advance and then recognised in the Comprehensive Income and Expenditure Statement when any conditions are met. These grants are reversed out of the General Reserve to the Capital Grants Unapplied Account until the capital expenditure is incurred, in which case they are transferred to the Capital Adjustment Account.

## **Heritage Assets**

Heritage assets can be both tangible and intangible. They are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment and intangible assets. The carrying amounts of heritage assets are reviewed where there is evidence of impairment (e.g. physical deterioration or

breakage). Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Any disposal proceeds from the sale of heritage assets are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital receipts. The Authority's heritage assets are accounted for as follows:

- The Authority owns one historic building that fits the definition of a heritage asset. As reliable valuation information cannot be obtained for this asset it is reported in the Balance Sheet at cost.
- The Authority considers that due to the lack of any comparable market values it is not possible to provide either cost or valuation information for its historic data records and slide collection. Consequently they are not recognised on the Balance Sheet.

## **Intangible Assets**

Expenditure on assets that do not have physical substance, but are identifiable and provide benefit to the Authority for periods of more than one year, is also capitalised. These assets are held at amortised cost with the depreciable amount of the intangible asset being amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into working condition for its intended use are treated as part of the cost of the related hardware rather than as a separate intangible asset.

Intangible assets are reviewed annually for evidence of reductions in value. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the relevant service line of the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are reversed out of the General Reserve through the Movement in Reserves Statement, and posted to the Capital Adjustment Account and, for any sale proceeds meeting the definition of a capital receipt, the Capital Receipts Reserve.

## **Interests in Companies and Other Entities**

The Authority has reviewed its interests with external bodies in 2019/20 as required by the Code. The Authority's analysis has concluded that it does not have any interests in subsidiaries, associated companies and joint ventures that are material both individually and in aggregate, and therefore there is no requirement to produce a set of Group Accounts.

## **Inventories, Work in Progress and Long Term Contracts**

Inventories held for resale at the Lake District Visitor Centre and the Information Centres and at the Authority's depots for repairs and maintenance are reflected in the balance sheet at the lower of cost or net realisable value.

Work in progress is valued at cost in the balance sheet.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the year.

## **Investment Property**

Investment property is used solely to earn rentals or for capital appreciation or both. It is not used to facilitate the delivery of services or production of goods and is not held for sale. Investment property is measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year end. A gain or loss arising from a change in the fair value of investment property is 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. Gains or losses on revaluation or disposal are not permitted by statutory arrangement to have an impact on the General Reserve balance and are reversed out to the Capital Adjustment Account and, for any sale proceeds over £10,000, the Capital Receipts Reserve through the Movement in Reserves Statement.

## **Joint Operations**

Joint operations are joint arrangements undertaken by the Authority in conjunction with other parties, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Authority recognises on its Balance Sheet its assets and liabilities, including its share of any assets held jointly or any liabilities incurred jointly. It also debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

## **Leases**

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer from the lessor to the lessee. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Leases that do not meet the definition of finance leases are accounted for as operating leases.

### **(i) Authority as Lessee**

Lease payments relating to finance leases are apportioned between a charge for the acquisition of the interest in the asset, which is recognised as a liability in the balance sheet at the start of the lease and written down as the rent becomes payable, and a finance charge - debited to the Comprehensive Income and Expenditure Statement as the rent becomes payable. Non-current assets recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment assets.

Lease payments for operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the service benefitting from the use of the leased asset. Charges are made on a straight line basis over the life of the lease.

### **(ii) Authority as Lessor**

The Authority acts in the capacity of lessor for the lease of land and property it owns. Lease payments receivable under finance leases are apportioned between a charge for the acquisition of the interest in the property, applied to write down the lease debtor and finance income which is credited to the Comprehensive Income and Expenditure Statement. In addition, for new finance leases, a charge will be made to the General Fund Balance and a credit made to the Capital Receipts Reserve to the value of the non-interest element.

Lease payments due under operating leases are accounted for on an accruals basis in the Comprehensive Income and Expenditure Statement as they become due. Where the Authority acts as lessor, land and property leased under operating leases are held as a non-current asset within the Balance Sheet and valued in accordance with the measurement bases set out in the policy on Property, Plant and Equipment.

## Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

## Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services and are expected to be used during more than one financial year are classified as Property, Plant and Equipment

### (i) Recognition and Measurement

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, 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. All other expenditure on assets is charged as an expense to revenue as it is incurred. Property, Plant and Equipment assets also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at the lower of fair value of the property and the present value of the minimum lease payments.

The de-minimis level below which expenditure on the acquisition, creation or enhancement of a non-current asset is treated as revenue expenditure has been set at £5,000.

Assets are initially measured at cost, comprising the purchase price and any costs that are directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

<b>Asset Category</b>	<b>Basis of Valuation</b>
Operational Land and Buildings - non specialised	Current Value - Existing Use Value
Operational Land and Buildings - specialised	Depreciated Replacement Cost
Infrastructure, and Community Assets	Depreciated Historic Cost
Vehicles, Plant and Equipment	Depreciated Historic Cost (as a proxy for fair value)
Surplus Assets	Current Value – Fair value estimated at highest and best use from a market participant's perspective

High value assets included in the Balance Sheet at current value are revalued annually to ensure that their carrying amount is not materially different from their current value at year end. High value assets are those whose values could lead to a serious or material misstatement of the balance sheet should their valuations become outdated. All other assets included in the Balance Sheet at current value are revalued sufficiently regularly 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 in the Comprehensive Income and Expenditure Account.

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.

## **(ii) 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 is identified as a result of this review or as a result of changes arising from annual valuations, this is accounted for by writing off the impairment against any revaluation gains attributable to the relevant asset in the Revaluation Reserve. If there is an insufficient or zero balance in the Revaluation Reserve, the excess is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service revenue account up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment losses are not a charge against the General Reserve. The balance on the Comprehensive Income and Expenditure Statement arising from an impairment loss is appropriated to the Capital Adjustment Account through the Movement in Reserves Statement.

## **(iii) Sales**

The Authority has to account for gains and/or losses incurred on the sale or disposal of its property, plant and equipment through its Comprehensive Income and Expenditure Statement. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet 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 are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, that is, netted off against the carrying value of the assets at the time of the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The net gain/loss on disposals is not a charge against the General Reserve as the cost of non-current assets is fully provided for under separate arrangements for capital financing. The net carrying value of assets disposed of is appropriated from the General Reserve to the Capital Adjustment Account through the Movement in Reserves Statement. Sale proceeds which meet the definition of capital receipts and are net of allowable disposal costs, are appropriated from the General Reserve to the Capital Receipts Reserve through the Movement in Reserves Statement. They are then used to finance capital expenditure.

## Component Accounting

Where a component of a non-current asset is replaced or restored, the carrying amount of the old component shall be derecognised and the new component reflected in the carrying amount. Each part (component) of an item of property, plant and equipment that is significant in relation to the total cost of the item is depreciated separately. Componentisation is only applied where the difference between the depreciation on each component and the depreciation on the asset as a whole is considered material, which for this Authority is considered to be assets with a value over £1M.

## Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties, assets held for sale and assets under construction), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated on the following bases:

Asset Type	Depreciation Method
Operational Buildings	Straight line depreciation over 10 to 50 years
Vehicles and Plant	Straight line depreciation over 5 to 15 years
Fixtures and Fittings	Straight line depreciation over 5 to 15 years
Infrastructure Assets	Straight line depreciation over 30 years
Computer Equipment	Straight line depreciation over 3 to 5 years
Capital Equipment	Straight line depreciation over 5 to 7 years

Under the Code, depreciation also has to be calculated on revaluation gains and is represented by the difference between depreciation calculated at current cost and depreciation calculated at historic cost. The difference between the two values is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Non-Current Assets Held For Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are:

- Available for immediate sale in their present condition
- The sale is highly probable
- The asset must be actively marketed for a sale price that is reasonable
- The sale should be expected to complete in one year.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, revaluations or amortisation that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Non-current assets held for sale are revalued immediately prior to reclassification, and then measured at the lower of their carrying amount and fair value less selling costs. Any reduction in asset value is recognised as an impairment loss. A gain is recognised for any subsequent increases in fair value less costs of sale, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-

current asset is recognised at the date of sale. Non-current assets held for sale are not depreciated or amortised and are disclosed separately from other assets in the Balance Sheet.

## **Capital Receipts**

Capital receipts are generated from the sale of assets and can be used to pay for capital spending. Receipts from the sale of assets with a value of less than £10,000 are included in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal of assets. They are not reversed out through the Movement in Reserves Statement and remain as a credit to the General Fund. Receipts over £10,000 are credited to the Capital Receipts Reserve from the General Reserve in the Movement in Reserves Statement.

## **Provisions**

Provisions are required for any liabilities of uncertain timing or amount in circumstances where:

- the Authority has a present legal or constructive obligation as a result of a past event.
- it is probable that a transfer of economic benefits will be required to settle the obligation.
- a reliable estimate of the amount of the obligation can be made, taking into account the risks and uncertainties surrounding the obligation.

A transfer of economic benefits is regarded as being probable if it is more likely than not to occur. Provisions are charged to the appropriate revenue account of the Authority and expenditure related to the provision is charged directly to that provision. The value of provisions is reviewed at each balance sheet date to reflect current best estimates.

## **Contingent Assets and Liabilities**

Contingent assets and liabilities arise where an event has taken place that gives the Authority a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets and liabilities are not recognised in the financial statements but are disclosed as a note to the accounts, unless the possibility of inflow/outflow of resources is remote. They are assessed continually to determine if the inflow/outflow is probable. In the case of a contingent liability, if the outflow becomes probable a provision is recognised unless a reliable estimate cannot be made. If the inflow from a contingent asset becomes probable and can be measured reliably, the debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements in the period in which the change occurs.

## **Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Reserve in the Movement in Reserves Statement. Certain reserves are kept to manage the accounting processes for tangible non-current assets and retirement benefits and these do not represent usable resources for the Authority. The level of Authority reserves is shown in the Balance Sheet and details of the individual reserves are shown in the Movement in Reserves Statement. It is the Authority's medium-term policy to maintain the balance on the General Reserve at £1million unless the perception of future financial risk suggests that the balance should be higher. The Authority also holds a small number of cash-backed earmarked reserves which are set aside for specific purposes.

## **Revenue Expenditure Funded from Capital Under Statute**

Some capital spending does not result in the creation of an asset and this spending is known as revenue expenditure funded from capital under statute. It is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year it arises. Where the Authority decides to meet the cost of this expenditure from existing capital resources the charge is reversed out of the General Reserve to the Capital Adjustment Account through the Movement on Reserves Statement.

## **Value Added Tax**

Value Added Tax payable is only included as income and expenditure received or paid by the Authority if it is classed as irrecoverable by HM Revenue and Customs.

## **Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset.

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 - unobservable inputs for the asset

## **Rounding**

The authority accepts that minor rounding differences of between £1k and £2k may occur within its Statement of Accounts, these amounts are not material and the Authority does not intend to alter any totals where this occurs.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Exp £000	2018/19			Note	2019/20		
	Gross Income £000	Net Exp £000			Gross Exp £000	Gross Income £000	Net Exp £000
789	(47)	742	Executive Board & Legal		795	(19)	776
			<i>Communications and Resources Directorate</i>				
2,151	(235)	1,916	Resources		2,527	(404)	2,123
4,111	(4,093)	18	Commercial Services		4,368	(4,165)	203
1,367	(244)	1,123	People and Communications		1,496	(276)	1,220
			<i>Sustainable Development Directorate</i>				
1,045	(698)	347	Development Management		1,066	(787)	279
3,956	(2,356)	1,600	Park Management		2,320	(528)	1,792
1,255	(554)	701	Strategy & Partnerships		1,309	(257)	1,052
434	0	434	Non Distributed Costs		119	0	119
<b>15,108</b>	<b>(8,227)</b>	<b>6,881</b>	<b>Cost of Services</b>		<b>14,000</b>	<b>(6,436)</b>	<b>7,564</b>
371	(347)	24	Other Operating Expenditure		133	(106)	27
1,684	(1,366)	318	Financing & Investment Income & Exp	13	1,774	(4,484)	(2,710)
0	(5,718)	(5,718)	Non-specific grant income	14	0	(11,391)	(11,391)
<b>17,163</b>	<b>(15,658)</b>	<b>1,505</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>15,907</b>	<b>(22,417)</b>	<b>(6,510)</b>
		(212)	(Surplus) or deficit on revaluation of non-current assets	15			(3,237)
		1,845	Remeasurements of the defined benefit liability	33			(1,802)
		0	(Surplus) or deficit on revaluation of financial instruments	23			0
		<b>1,633</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>				<b>(5,039)</b>
		<b>3,138</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>				<b>(11,549)</b>

## MOVEMENT IN RESERVES STATEMENT

	Note	General Reserve Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019</b>		3,046	316	18	3,380	(3,103)	277
<b>Movement in reserves during 2019/20</b>							
Total Comprehensive Income & Expenditure		6,510	0	0	6,510	5,039	11,549
Adjustments between accounting basis & funding basis under regulations	9	(7,289)	(273)	2,200	(5,362)	5,362	0
<b>Increase / (Decrease) in 2019/20</b>		<b>(779)</b>	<b>(273)</b>	<b>2,200</b>	<b>1,148</b>	<b>10,401</b>	<b>11,549</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>2,267</b>	<b>43</b>	<b>2,218</b>	<b>4,528</b>	<b>7,298</b>	<b>11,826</b>

Comparative data for 2018/19 is shown below

	Note	General Reserve Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2018</b>		3,254	489	18	3,761	(346)	3,415
<b>Movement in reserves during 2018/19</b>							
Total Comprehensive Income & Expenditure		(1,505)	0	0	(1,505)	(1,633)	(3,138)
Adjustments between accounting basis & funding basis under regulations	9	1,297	(173)	0	1,124	(1,124)	0
<b>Increase / (Decrease) in 2018/19</b>		<b>(208)</b>	<b>(173)</b>	<b>0</b>	<b>(381)</b>	<b>(2,757)</b>	<b>(3,138)</b>
<b>Balance at 31 March 2019 carried forward</b>		<b>3,046</b>	<b>316</b>	<b>18</b>	<b>3,380</b>	<b>(3,103)</b>	<b>277</b>

## BALANCE SHEET AS AT 31 MARCH 2020

The Accounts have been prepared in accordance with the requirements of the code and give a true and fair view of the financial position of the Authority as at 31 March 2020 and its income and expenditure for the year then ended.

31 March 2019 £000		Note	31 March 2020 £000      £000	
12,406	Property, Plant & Equipment	18	19,445	
8	Heritage Assets		8	
3,233	Investment Property	21	6,388	
37	Intangible Assets		27	
75	Long Term Investments		0	
13	Long Term Debtors		0	
<b>15,772</b>	<b>Long Term Assets</b>			<b>25,868</b>
2,724	Cash & cash equivalents	26	3,518	
166	Inventories & Work in Progress		183	
1,331	Short Term Debtors	27	2,062	
195	Assets Held for Sale		15	
<b>4,416</b>	<b>Current Assets</b>			<b>5,778</b>
(1,236)	Short Term Creditors	28	(1,391)	
(20)	Provisions		(20)	
<b>(1,256)</b>	<b>Current Liabilities</b>			<b>(1,411)</b>
(18,655)	Liability related to defined benefit pension scheme	34	(18,409)	
<b>(18,655)</b>	<b>Long Term Liabilities</b>			<b>(18,409)</b>
<b>277</b>	<b>Net Assets</b>			<b>11,826</b>
	<b>Usable Reserves</b>			
316	Capital Receipts Reserve	30		43
18	Capital Grants Unapplied Reserve	30		2,217
2,276	Earmarked Reserves	30		1,653
770	General Reserve	30		613
	<b>Unusable Reserves</b>			
2,126	Revaluation Reserve	31		5,183
13,785	Capital Adjustment Account	32		20,733
(161)	Accumulated Absences Account			(228)
30	Financial Instruments Restatement Reserve			0
13	Deferred Capital Receipts			0
(18,896)	Pension Reserve	33		(18,388)
<b>277</b>	<b>Total Reserves</b>			<b>11,826</b>

## CASH FLOW STATEMENT

2018/19 £000		Note	2019/20 £000
1,505	<b>Net (Surplus) or Deficit on the Provision of Services</b>		<b>(6,510)</b>
0	Transfer of UK National Parks Digital Partnership net assets		13
(2,594)	Adjust net surplus or deficit on the provision of services for non cash movements	35	1,531
419	Adjust for items included in net surplus or deficit on the provision of services that are financing or investing activities	35	4,764
<b>(670)</b>	<b>Net Cash Flows from Operating Activities</b>	36	<b>(202)</b>
882	Net Cash Flows from Investing Activities	37	(592)
0	Net Cash Flows from Financing Activities	37	0
<b>212</b>	<b>Net (increase) or decrease in cash or cash equivalents</b>		<b>(794)</b>
2,936	Cash and cash equivalents at the beginning of the period		2,724
2,724	Cash and cash equivalents at the end of the period	26	3,518

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rate payers how the funding available to the Authority (ie. government grants, rents, council tax and business rates) 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 services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	As reported for resource management	Adjustment to arrive at the net amount chargeable to General Fund balance (Note 6)	Net Expenditure Chargeable to the General Fund	Adjustments between Funding & Accounting basis (Note 6)	Net Exp in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Executive Board & Legal	776	(54)	722	54	776
Resources	2,067	(279)	1,789	334	2,123
Commercial Services	260	(543)	(284)	487	203
People & Communications	1,220	(86)	1,134	86	1,220
Development Management	279	(87)	192	87	279
Park Management	1,792	(226)	1,566	226	1,792
Strategy & Partnerships	1,052	(83)	969	83	1,052
Non distributed costs	119	(119)	0	119	119
<b>Net Cost of Services</b>	<b>7,565</b>	<b>(1,478)</b>	<b>6,087</b>	<b>1,477</b>	<b>7,564</b>
Other Income & Expenditure	(13,982)	(456)	(5,308)	(8,765)	(14,074)
<b>Surplus/(Deficit) on General Fund Balance in Year</b>	<b>(6,417)</b>	<b>(1,934)</b>	<b>780</b>	<b>(7,289)</b>	<b>(6,510)</b>
Opening General Fund Balance			(3,046)		
Plus Surplus on General Fund Balance in Year			780		
<b>Closing General Fund Balance</b>			<b>(2,266)</b>		

Comparative data for 2018/19 is shown in the table below:

<b>2018/19</b>					
	<b>As reported for resource management</b>	<b>Adjustment to arrive at the net amount chargeable to General Fund balance</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding &amp; Accounting basis</b>	<b>Net Exp in the Comprehensive Income &amp; Expenditure Statement</b>
	<b>£000s</b>	<b>(Note 6) £000s</b>	<b>£000s</b>	<b>(Note 6) £000s</b>	<b>£000s</b>
Executive Board & Legal	742	(46)	696	46	742
Resources	1,716	(113)	1,603	747	2,350
Commercial Services	(400)	(18)	(418)	436	18
People & Communications	1,123	(66)	1,057	66	1,123
Development Management	347	(80)	267	80	347
Park Management	1,597	(99)	1,498	102	1,600
Strategy & Partnerships	701	(72)	629	72	701
<b>Net Cost of Services</b>	<b>5,826</b>	<b>(494)</b>	<b>5,332</b>	<b>1,549</b>	<b>6,881</b>
Other Income & Expenditure	(5,514)	390	(5,124)	(252)	(5,376)
<b>Surplus or Deficit</b>	<b>312</b>	<b>(104)</b>	<b>208</b>	<b>1,297</b>	<b>1,505</b>
Opening General Fund Balance			(3,254)		
Plus Surplus on General Fund Balance in Year			208		
<b>Closing General Fund Balance</b>			<b>(3,046)</b>		

## 2. Accounting Concepts

In all cases, due consideration has been given to the relevance, reliability, comparability and understandability of financial information. The materiality of particular items and issues has also been considered.

The following accounting concepts have been used

- Accruals - this means that income and expenditure are recognised as they are earned and incurred, not as money is received or paid
- Going concern – this assumes that the Authority will continue to operate in the future
- Primacy of legislative requirements – this means that where specific legislative requirements and accounting principles conflict, the legislative arrangements shall be used.

These concepts have been used in the selection of the accounting policies, estimation techniques and professional judgements employed.

This approach aims to provide information about the Authority's financial position, performance and cash flows in a way that meets the common needs of most users and shows the stewardship and accountability of elected members and management for the resources entrusted to them.

### **3. Accounting Standards that have been issued but have not yet been adopted**

The 2020/21 edition of the Code includes the following relevant changes due to accounting standards and interpretations, which have been issued but not yet adopted:

- IAS 28 - Investment in Associates and Joint Ventures : Long-term Interests in Associates and Joint Ventures
- IAS 19 – Employee Benefits: Plan Amendment, Curtailment or Settlement
  - This will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service costs and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1<sup>st</sup> April 2020.

Previous changes include

- IFRS 16 – Leases
  - This was issued in January 2016 and was due to become effective from 1 April 2020, however the implementation date has been deferred to 1 April 2021
  - The changes introduced by the standard require all leases with a term of more than 12 months to be recognised as a right to use asset on the balance sheet. This will lead to a substantial change in accounting practice for leases that currently have material operating leases as they will now have to recognise a right to use asset representing its right to use the underlying leased property, and a lease liability representing its obligation to make lease payments.

There are also amendments to...

- IFRS Standards 2015-2017 Cycle

The financial impact of these changes is not reasonably estimable.

### **4. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Government funding – although the economic impact of leaving the European Union has yet to become clear, as it has confirmation of grant allocations up to 2019/20, the Authority has determined that there is unlikely to be a need to reduce service levels in the near future and therefore there is no requirement to impair any of its assets.
- The Authority owns several properties that are not specifically used to provide services. These properties have been treated as investment properties. It also owns several pieces of woodland that don't fulfil an operational role and are instead held for capital appreciation or rental income earning purposes. These have also been treated as investment properties in accordance with the Code as interpreted in the context of a National Park Authority.
- A change has been made to the valuation techniques adopted for some of the Authority's assets this year. It is entirely appropriate that the site's categorisation

and choice of valuation basis should be periodically reviewed. The rationale for the changes in valuation techniques are proved below:

Brockhole Visitor Centre for the National Park and is a unique asset and one for which there is no immediately identifiable and appropriate external valuation comparators. The site is highly dynamic and has seen a great deal of capital investment in recent years and new service delivery features have been developed and old ones have been retired. After due consideration, a conclusion was reached that the site should be treated as a specialised asset and valued at Depreciated Replacement Cost.

Brockhole Car Park is, in practical terms, indivisibly linked to the visitor centre. In order to value on a EUV basis there must be an open market for the sale of the asset. In this instance the Visitor Centre car park exists solely to serve visitors to Brockhole and the Authority would not market it while Brockhole remained operational. Equally a sale of Brockhole could not proceed without the inclusion of the car park. As in reality the car park would not be marketed in isolation and is indivisibly linked to the visitor centre it has been treated as a specialised asset and valued at Depreciated Replacement Cost.

Brockhole Jetty is subject to a Management Agreement with a third party and although this Agreement produces a flow of income (and thus supports a view that the basis of valuation would be Existing Use Value) it is a non-exclusive licence, has restrictive alienation clauses for the operator and the LDNPA retains significant control. Given the development of the Brockhole site the income flow element of the Agreement may not necessarily grow in importance and may become increasingly subsidiary to the role of the Jetty in forming part of a sustainable transport network for the National Park. The Jetty and the Visitor Centre are now viewed as intrinsically linked with the Jetty considered subservient to and indivisible from the specialist asset that is the Visitor Centre. Consequently the asset has been treated as a specialised asset and valued at Depreciated Replacement Cost.

Brockhole Land accommodates a Visitor Centre within the National Park. There are no direct comparables for land with a suitable planning consent (*sui generis*/D1) capable of accommodating a Visitor Centre within the National Park. In these circumstances consideration has been given to commercial activity, including residential development, across a wider area, also factoring in the possibility of using statutory powers to acquire a site or sites.

## **5. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates. The items for which there is a 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. A firm of actuaries is engaged to provide expert advice on the assumptions applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in

the discount rate assumption would result in a decrease in the pension liability of £1,222,000.

- Fair value measurements – Our investment properties and surplus assets are valued at fair value. The market valuation technique has been used to value these assets taking account of the market participant’s ability to generate economic benefits by using the asset in its highest and best use. For most of these assets observable inputs from the sale of similar assets in the local area have been used to inform the valuation.
- COVID-19 – although the immediate impact of the virus pandemic was felt during 2019/20 and continues in 2020/21, the Authority experienced a strong return to pre-COVID-19 income generation as a result of domestic demand for its visitor experience offer. Accordingly, the authority determines that no impairment of asset values as a direct result of the pandemic is required.

- COVID-19 - In addition to the matters referred to above, the valuations of investment and operational properties (PPE), carried out by internal valuers as at 31 March 2020, are subject to the following ‘material valuation uncertainty’ declaration issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards:

‘The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a “Global Pandemic” on the 11 March 2020, has impacted many aspects of daily life and the global economy with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, in the case of the assets valued for the 2019-20 accounts covered by this report, there is a shortage of market evidence to compare to previous market evidence for comparison purposes, to inform opinions of value. Our valuation of these assets are therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards.

Consequently, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that in the current extraordinary circumstances less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact that Covid-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that you keep the valuations contained within this report under frequent review.’

- Impact of Covid-19 on the valuation of the Authority’s share of direct and indirect property investments held by the Cumbria Local Government Pension Scheme  
At 31 March 2020 the net pension liability of £18.41m includes £48.90m in respect of the Authority’s share of assets held by the Cumbria LGPS. This includes £4.25m in respect of the Authority’s share of the schemes direct property investments and investments in unquoted property funds. The fair value measurement of these investments at 31 March 2020 is subject to the same material valuation uncertainty (issued in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards), outlined above in connection with the valuation of the Authority’s investment and operational properties (PPE) at 31 March 2020.

**6. Note to the Expenditure and Funding Analysis**

Adjustments between the Funding and Accounting Basis are as follows:

	Property Related Income & Expenditure reported at Service Level (Note 1) £000s	Pension & other employee adjustments reported at Service level (Note 1) £000s	Total to arrive at amount charged to the General Reserve £000s	Adjustment for Capital Purposes (Note 2) £000s	Net change for the Pensions Adjustment (Note 3) £000s	Other differences (Note 4) £000s	Total adjustment Between Funding and Accounting basis £000s
<b>2019/20</b>							
Executive Board & Legal Resources	0	(54)	(54)	0	(51)	(3)	(54)
Commercial Services	(145)	(134)	(279)	(201)	(123)	(11)	(334)
People & Communications	(365)	(179)	(543)	(308)	(163)	(16)	(487)
Development Management	0	(86)	(86)	0	(77)	(9)	(86)
Park Management	0	(87)	(87)	0	(85)	(2)	(87)
Strategy & Partnerships	(45)	(181)	(226)	(45)	(157)	(25)	(226)
Non distributed costs	0	(83)	(83)	0	(81)	(3)	(83)
Net Cost of Services	0	(119)	(119)	0	(119)	0	(119)
Other Income & Expenditure	(554)	(923)	(1,478)	(553)	(856)	(68)	(1,477)
<b>Total</b>	(18)	(438)	(456)	9,203	(438)	(0)	8,765
	<b>(573)</b>	<b>(1,361)</b>	<b>(1,934)</b>	<b>8,650</b>	<b>(1,294)</b>	<b>(68)</b>	<b>7,289</b>
<b>2018/19</b>							
Executive Board & Legal Resources	0	(46)	(46)	0	50	(4)	46
Commercial Services	24	(106)	(82)	207	103	3	313
People & Communications	52	(70)	(18)	366	94	(24)	436
Development Management	0	(66)	(66)	0	60	6	66
Park Management	0	(80)	(80)	0	74	6	80
Strategy & Partnerships	0	(99)	(99)	3	110	(11)	102
Non distributed costs	0	(72)	(72)	0	63	9	72
Net Cost of Services	0	(31)	(31)	0	434	0	434
Other Income & Expenditure	76	(570)	(494)	576	988	(15)	1,549
<b>Total</b>	390	0	390	(635)	383	0	(252)
	<b>466</b>	<b>(570)</b>	<b>(104)</b>	<b>(59)</b>	<b>1,371</b>	<b>(15)</b>	<b>1,297</b>

### **Note 1 Adjustments between resource management reporting and amounts charged to the General Reserve**

For resource management purposes the authority includes investment property income and expenditure at service level not within Other Income and Expenditure. Other property related items that need to be adjusted for are de-minimis receipts and revenue contributions to capital expenditure.

The Authority reports employee costs to management which include the current service pension cost and the cost of leave earned but not yet taken. These amounts are not chargeable to the General Reserve and are replaced by the actual employer pension contributions.

### **Note 2 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:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing 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 – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in year without conditions or for which conditions were satisfied in the year.

### **Note 3 Net Change for the Pension 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

### **Note 4 Other Differences**

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

- For services – this column removes the accrued adjustments for compensated absences earned but not taken in the year as these are not chargeable under generally accepted accounting practices.

## 7. Segmental Income

Income received on a segmental basis is analysed below:

	Revenues from external customers £000s	Insurance receipts £000s
<b>2019/20</b>		
Executive Board & Legal Resources	(16)	0
Commercial Services	(317)	0
People & Communications	(4,100)	(12)
Development Management	(47)	(2)
Park Management	(787)	0
Strategy & Partnerships	(111)	0
	(144)	0
	<u>(5,522)</u>	<u>(14)</u>
<b>2018/19</b>		
Executive Board & Legal Resources	(7)	0
Commercial Services	(232)	0
People & Communications	(4,081)	0
Development Management	(30)	0
Park Management	(698)	0
Strategy & Partnerships	(163)	-3
	(175)	0
	<u>(5,386)</u>	<u>(3)</u>

## 8. Expenditure and Income Analysed by Nature

2018/19 £000s	2019/20 £000s
<b>Expenditure</b>	
8,426	8,194
6,126	5,172
576	635
24	27
8	0
28	0
383	438
15,571	14,466
<b>Income</b>	
(5,962)	(6,436)
(8,078)	(11,391)
0	0
0	(3,124)
(7)	
(19)	(24)
(14,066)	(20,975)
<b>1,505 (Surplus) / Deficit on Provision of Services</b>	<b>(6,509)</b>

## 9. Movement in Reserves Statement - Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice. The adjustments are made to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

**General Reserve** – this is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources the Authority is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

**Capital Receipts Reserve** – this reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

**Capital Grants Unapplied** – this reserve holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>			
<b>Amounts by which income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</b>			
Pension costs (transferred to (or from) the Pensions Reserve			
Net Charges for Retirement Benefits in accordance with IAS 19	(2,326)		
Employers Contributions payable to the Pension Fund	1,032		
Holiday Pay (transferred to the Accumulated Absences Reserve	(68)		
Write off of FIRR	(30)		
Write off of deferred capital receipt	(13)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (items charged to the Capital Adjustment Account)			
Depreciation on non-current assets	(563)		
Amortisation of Intangible Assets	(10)		
Movement on the fair value of Investment Properties	3,080		
Revaluation changes on Property, Plant & Equipment	(65)		
Amount written out as part of the gain/loss on disposal of non-current assets and investment properties	(167)		
Capital Grants and Contributions	5,801		(5,801)
<b>Total Adjustments to Revenue Resources</b>	<b>6,671</b>	<b>0</b>	<b>(5,801)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	127	(127)	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)			
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	490		
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>617</b>	<b>(127)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of Capital Receipts Reserve to finance capital expenditure		400	
Application of capital grants to finance capital expenditure			3601
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>400</b>	<b>3,601</b>
<b>Total Adjustments</b>	<b>7,288</b>	<b>273</b>	<b>(2,200)</b>

2018/19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>			
<b>Amounts by which income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</b>			
Pension costs (transferred to (or from) the Pensions Reserve			
Net Charges for Retirement Benefits in accordance with IAS 19	(2,430)		
Employers Contributions payable to the Pension Fund	1,059		
Holiday Pay (transferred to the Accumulated Absences Reserve	16		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (items charged to the Capital Adjustment Account)			
Depreciation on non-current assets	(525)		
Amortisation of Intangible Assets	(12)		
Revaluation losses on Property, Plant & Equipment	(40)		
Movement on the fair value of Investment Properties	(21)		
Amount written out as part of the gain/loss on disposal of non-current assets and investment properties	(262)		
Capital Grants and Contributions	222		(222)
<b>Total Adjustments to Revenue Resources</b>	<b>(1,993)</b>	<b>0</b>	<b>(222)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	202	(202)	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(5)	5	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	499		
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>696</b>	<b>(197)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of Capital Receipts Reserve to finance capital expenditure		370	
Application of capital grants to finance capital expenditure			222
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>370</b>	<b>222</b>
<b>Total Adjustments</b>	<b>(1,297)</b>	<b>173</b>	<b>0</b>

## 10. Officers' Remuneration

The following table discloses details of remuneration to senior employees who earned over £50,000. There were no senior employees earning over £150,000.

Job Title	Salary		Total Compensation		Total Remuneration
	including Allowances	Expense Allowances	for Loss of Office	Employers Pension Contribs.	Including Pension Contribs.
	£	£	£	£	£
<b>2019/20</b>					
Chief Executive	97,886	0	0	13,704	111,590
Director of Sustainable Development	69,944	0	0	9,792	79,736
Director of Communications & Resources	70,194	0	0	8,496	78,690
	<b>238,024</b>	<b>0</b>	<b>0</b>	<b>31,992</b>	<b>270,016</b>
<b>2018/19</b>					
Chief Executive	93,283	0	0	13,630	106,913
Director of Sustainable Development	68,972	0	0	9,621	78,593
Director of Communications & Resources	68,562	0	0	9,607	78,169
	<b>230,817</b>	<b>0</b>	<b>0</b>	<b>32,858</b>	<b>263,675</b>

The Accounts and Audit Regulations 2015 require that local authorities also disclose details of the number of other employees whose remuneration, excluding pension contributions, exceeds £50,000 in bands of £5,000.

No. of Employees 2018/19	Remuneration Band	No. of Employees 2019/20
1	£50,000 - £54,999	2
2	£55,000 - £59,999	2
1	£60,000 - £64,999	1
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0

The number of employees earning over £50,000 between 2018/19 and 2019/20 has increased by one. There were no significant exit packages in 2019/20.

## 11. Members' Allowances

The Code of Practice on Local Authority Accounting requires that Local Authorities disclose details of allowances paid to elected members during the year. Details of allowances paid in 2019/20 to members and independent persons appointed by the Authority to comply with its obligations under the Localism Act 2011 are as follows:

Notes	Allowances		Travel &	Total	
	Basic	Responsibility	Subsistence		
	£	£	£		
<b>Appointed by Cumbria County Council</b>					
Barry	A	3,000	0	0	3,000
Bland	J	3,000	0	0	3,000
Hogg	C	3,000	0	0	3,000
Lywood	T	3,000	0	0	3,000
Turner	P	3,000	0	1,445	4,445
<b>Appointed by South Lakeland District Council</b>					
Hughes	V	3,000	0	501	3,501
Rees	V	266	0	0	266
Wharton	I	2,516	0	471	2,987
<b>Appointed by Allerdale Borough Council</b>					
Cockburn	N	2,532	0	602	3,134
Jefferson	W	266	0	272	538
<b>Appointed by Eden District Council</b>					
Derbyshire	J	2,621	0	987	3,608
Thompson	J	387	0	437	824
<b>Appointed by Copeland Borough Council</b>					
Branney	H	3,000	0	1,759	4,759
<b>Appointed by the Secretary of State</b>					
Allen	J	3,000	5,560	3,783	12,343
Kidd	M	3,000	0	289	3,289
Carter	M	3,000	1,173	1,197	5,370
Cumberlidge	N	0	0	244	244
Davies	G	3,000	0	237	3,237
Hayhurst	C	1,694	0	1,065	2,759
Hunt (MBE)	T	2,121	0	45	2,166
Jackson	J	345	0	0	345
Jackson	K	2,292	0	0	2,292
MacInnes	M	542	0	458	1,000
McKinley	M	3,000	6,000	2,501	11,501
Mosner	S	2,121	0	114	2,235
Waterhouse	L	3,000	0	478	3,478
<b>Appointed by the Lake District National Park Authority</b>					
Southorn	A	150	0	64	214
Tweddle	D	150	0	0	150

## Notes:

- (a) A special responsibility allowance is paid to the Chairman and Deputy Chairman of the Authority. Payments were as follows:

Mr M McKinley	£6,000 (Chairman)
Mr J Allen	£5,560 (Acting Chairman and Deputy Chairman)
Mr M Carter	£1,173 (Acting Deputy Chairman)

- (b) The following members left the Authority during 2019/20.

Mr N Cumberlidge	31 March 2019
Mr W Jefferson	2 May 2019
Mr M MacInnes	5 June 2019
Ms V Rees	2 May 2019
Mr J Thompson	17 May 2019

- (c) The following members joined the Authority during 2019/20

Ms N Cockburn	28 May 2019
Ms J Derbyshire	18 May 2019
Ms T Hunt (MBE)	17 July 2019
Mr J Jackson	19 February 2020
Mr K Jackson	26 June 2019
Ms S Mosner	17 July 2019
Mr I Wharton	30 May 2019

Comparative figures for 2018/19 are shown below:

2018/19		2019/20
£000		£000
70	Allowances	70
19	Expenses	17
<u>89</u>		<u>87</u>

## 12. Related Party Transactions

The Authority is required to disclose details of material transactions with related parties. Related parties are generally either individuals or organisations that could exert direct or indirect control over the other party.

The Authority's transactions with related parties can be summarised as follows:

- **Central Government** exerts significant influence over the general operations of the Authority. It is responsible for providing the statutory framework in which it operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Authority has with other parties. The majority of the Authority's funding is provided by the Department of Environment, Food and Rural Affairs. All grants received during 2019/20 are detailed in note 14 to the Financial Statements.

**Members** – Members of the Authority have direct control over the Authority's financial and operating policies. Members allowances paid in 2019/20 are

detailed in note 11 to the Financial Statements. Thirteen of the Authority's members during the year were also elected members of other local authorities within Cumbria. Details of the Authority's transactions with these authorities are detailed in the table below. All elected members are required to keep a register of their disclosable pecuniary interests up to date and complete a declaration of related party transactions at the end of the year. Mr Hogg is on various councils including the Cumbria Local Enterprise Partnership which is in part funding the Low Carbon Lake District projects. Mr Lywood sits on the board and chairs the Battersby Hall Charity which leases the Moot Hall to the Authority. Mrs Derbyshire is on the Eden District Council as an Exec role and is occasionally party to decisions which may involve joint funding of projects such as the baseline assessment of carbon footprints of Cumbria.

Related Party	Business Rates £000	Other Payments £000	Income £000	Owed To £000	Owed From £000
Allerdale Borough Council	22	2	5	0	3
Copeland Borough Council	8	7	2	0	0
Cumbria County Council	0	518	70	18	320
Eden District Council	23	1	0	1	2
South Lakeland District Council	358	36	36	19	23
<b>Total</b>	<b>411</b>	<b>564</b>	<b>113</b>	<b>38</b>	<b>348</b>

Comparative figures for 2018/19 are shown below:

Related Party	Business Rates £000	Other Payments £000	Income £000	Owed To £000	Owed From £000
Allerdale Borough Council	23	1	6	0	1
Copeland Borough Council	9	37	2	0	0
Cumbria County Council	0	225	128	18	10
Eden District Council	28	1	2	0	0
South Lakeland District Council	359	71	48	22	8
<b>Total</b>	<b>419</b>	<b>335</b>	<b>186</b>	<b>40</b>	<b>19</b>

- Officers** - 52 of the Authority's managers were asked to declare any direct financial relationship with the Authority through outside bodies or companies for the financial year 2019/20. The Authority's Chief Executive Officer is a trustee of the Lake District Foundation. The Director of Communications and Resources is on the board of Cumbria Tourism, Morecambe Bay Partnership Trustee, Cumbria County Council Pensions Board, Discover England Fund Project Working Group, Great Place: Lakes & Dales - Project Board, Creative Consortium and Cumbria's Living Heritage Steering Committee. Details of the Authority's transactions with these organisations in 2019/20 are listed in the table below. The Authority's Director of Sustainable Development is also a shareholder in The Lakes Currency Project Limited. A small number of other non-material declarations were made by other Officers.

<b>Related Party</b>	<b>Payments £0</b>	<b>Income £0</b>	<b>Payment details include</b>
Lake District Foundation	28	151	£20k contribution to core funding, £8k campaign support £114k Fix the Fells grant, £27k grant, £9k rent/IT support
Cumbria Tourism	30	0	£12k partnership contribution, £9k adverts, £8k other services
Great Place	5	1	Membership contribution
Cumbria's Living Heritage	3	0	Membership contribution and adverts

Comparative figures for 2018/19 are shown below:

<b>Related Party</b>	<b>Payments £000</b>	<b>Income £000</b>	<b>Payment details include</b>
Lake District Foundation (formerly Nurture Lakeland)	21	106	£20k contribution to core funding, £1k other £77k grant, £22k load repay, £7k other services
Cumbria Tourism	46	1	£10k partnership contribution, £5k survey, £6k for other services
Cumbria Wildlife Trust	14	0	
Great Places	5	0	
Lakes China Forum	2	0	Membership contribution
Cumbria's Living Heritage	2	0	Membership contribution/services
Threkeld Quarry Management	1	0	Membership contribution/services

- Details of Members disclosable pecuniary interests are available on the LDNPA website or can be inspected at the LDNPA head office in Kendal during office hours. Details of officers' interests are recorded in the Register of Officers Interests which can also be inspected at the head office in Kendal during working hours.
- The Authority's transactions with Cumbria County Council Pension Fund are shown in note 34 to the Financial Statements.

### 13. Financing and Investment Income and Expenditure

2018/19				2019/20		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
1,594	(1,211)	383	Pension Net Interest Cost	1,616	(1,178)	438
0	(19)	(19)	Interest receivable	0	(24)	(24)
90	(136)	(46)	Income & expenditure on investment properties and changes to their fair value	158	(3,282)	(3,124)
<b>1,684</b>	<b>(1,366)</b>	<b>318</b>	<b>Total</b>	<b>1,774</b>	<b>(4,484)</b>	<b>(2,710)</b>

### 14. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	2018/19 £000	2019/20 £000
<b>Non Specific Grant Income</b>		
National Park Grant	5,495	5,590
Capital Grants & Contributions		
ESIF	16	1,915
Highways England	169	3,664
Local Enterprise Partnership	0	216
Other	0	6
Heritage Lottery	37	0
Maysons	1	0
	<b>5,718</b>	<b>11,391</b>

	2018/19 £000	2019/20 £000
<b>Specific Grant Income</b>		
Heritage Lottery	594	182
Lake District Foundation	77	153
Arts Council	150	150
Historic England Total	50	67
Rural Payments Agency	1,345	51
HMRC	0	29
European Structural and Investment Fund	0	28
South Lakeland District Council	28	18
Natural England	0	17
Allerdale Borough Council	13	13
Craven District Council	0	12
Without Walls	0	11
DEFRA	0	10
Friends of the Lake District	43	7
Highways England	103	0
Environment Agency Total	73	0
Cumbria County Council Total	72	46
Ministry of Housing Communities and Local Government	34	0
Duddon Valley Local History Group	31	0
Peak District National Park Auth Total	29	0
National Trust	22	0
Uldale Commons Account Total	11	0
Brantwood Trust	10	0
Cumbria Amenity Trust Mining History Society	10	0
Other Grants & Contributions less than £10,000	61	61
	<b>2,756</b>	<b>855</b>

The Authority can receive grant income that it has yet to recognise.

	2018/19 £000	2019/20 £000
<b>Grant Receipts in Advance</b>		
Highways England: K2T	86	-
European Structural and Infrastructure F	0	-
Local Enterprise Partnership: K2T	0	-
Historic England	40	0
Lottery Funding	5	0
Hadfield Trust	2	0
	<u>133</u>	<u>0</u>

#### 15. Other Comprehensive Income and Expenditure

2018/19 £000	2019/20 £000
(212) (Surplus) or deficit on revaluation of property, plant & equipment	(3,237)
1,845 Remeasurements of the defined benefit liability	(1,802)
0 Net assets for transferred function	0
<b><u>1,633</u> Total Other Comprehensive Income &amp; Expenditure</b>	<b><u>(5,039)</u></b>

#### 16. Disclosure of External Audit Costs

In 2019/20 the Authority incurred the following fees relating to external audit and inspection:

	2018/19 £	2019/20 £
Fees payable for external audit services carried out by the appointed auditor	11,595	21,345
<b>Total Audit Costs</b>	<u>11,595</u>	<u>21,345</u>

#### 17. Impact of Changes to the Code of Practice

With regard to IFRS 9 Financial Instruments, the new standard sets conditions for the measurement of financial instruments under circumstances where prepayments have been made and may affect some of the Authority's arrangements.

The Authority disposed on its only equity instrument during the 2019/20 financial year. This change does not have a material impact on the information reported in these financial statements.

As regards IAS 40 Investment Property: Transfers of Investment Property, the new standard clarifies that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

This change does not have a material impact on the information reported in these financial statements.

There are also amendments to

- IFRS Standards 2014-2016 Cycle
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments,

None of the changes have a material impact on the information reported in these financial statements.

## **18. Balance Sheet - Property, Plant and Equipment**

The table below sets out the transactions relating to Property, Plant and Equipment in 2019/20.

	OPERATIONAL					NON OPERATIONAL		Total
	Land & Buildings	Vehicles & Plant	Equip't	Infra-structure	Comm'ty Assets	Assets under Construc'n	Surplus assets	
	£000	£000	£000	£000	£000	£000	£000	
<b>Cost or Valuation</b>								
Valuation as at 1 April 2019	11,028	2,036	521	322	103	213	0	14,223
Additions	433	391	183	7	0	3,477	0	4,491
Revaluation increases/(decreases) recognised in Revaluation Reserve	2,923	0	0	0	0	0	0	2,923
Revaluation increases/(decreases) recognised in Surplus /Deficit on Provision of Services	(174)	0	0	0	0	0	0	(174)
Derecognition - disposals	(25)	(99)	(7)	0	0	0	0	(131)
Reclassification	116	95	(1)	(192)	0	(21)	0	(3)
<b>Valuation as at 31 March 2020</b>	<b>14,301</b>	<b>2,423</b>	<b>696</b>	<b>137</b>	<b>103</b>	<b>3,669</b>	<b>0</b>	<b>21,329</b>
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2018	510	879	245	23	0	0	0	1,657
Depreciation Charge to I&E 19/20	257	213	88	4	0	0	0	562
Depreciation on Disposals	(8)	(53)	(7)	0	0	0	0	(68)
Depreciation written out to Revaluation Reserve	(314)	0	0	0	0	0	0	(314)
Depreciation written out to Surplus / Deficit on Provision of Services	(109)	0	0	0	0	0	0	(109)
Reclassification	5	0	0	0	0	0	0	5
<b>Accumulated Dep'n at 31 March 2020</b>	<b>341</b>	<b>1,039</b>	<b>326</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,733</b>
<b>Impairments</b>								
Accumulated Impairment 1 April 2019	138	17	0	0	0	0	0	155
Impairment written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment written out to Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0	0
Impairment on Disposals	0	(3)	0	0	0	0	0	(3)
Reclassification	0	(1)	0	0	0	0	0	(1)
<b>Accumulated Impairments at 31 March 2020</b>	<b>138</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151</b>
<b>Net Book Value at 31 March 2020</b>	<b>13,825</b>	<b>1,369</b>	<b>371</b>	<b>110</b>	<b>103</b>	<b>3,669</b>	<b>0</b>	<b>19,445</b>
<b>Net Book Value at 31 March 2019</b>	<b>10,377</b>	<b>1,138</b>	<b>276</b>	<b>299</b>	<b>103</b>	<b>213</b>	<b>0</b>	<b>12,406</b>
<b>Revaluation Summary</b>								
Revaluation Gains / (Losses)	2,749	0	0	0	0	0	0	2,749
Revaluation – Written Out Depr'n	423	0	0	0	0	0	0	423
Revaluation - Written out Impairment	0	0	0	0	0	0	0	0
<b>Total Revaluation</b>	<b>3,172</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,172</b>
<b>Nature of Asset holding</b>								
Owned	13,825	1,369	371	110	103	3,669	0	19,447
	<b>13,825</b>	<b>1,369</b>	<b>371</b>	<b>110</b>	<b>103</b>	<b>3,669</b>	<b>0</b>	<b>19,447</b>

The comparative movements in 2018/19 are shown below:

	OPERATIONAL					NON OPERATIONAL		Total
	Restated							
	Land & Buildings	Vehicles & Plant	Equip't	Infra-structure	Comm'ty Assets	Assets under Construct'n	Surplus assets	
	£000	£000	£000	£000	£000	£000	£000	
<b>Cost or Valuation</b>								
Valuation as at 1 April 2018	10,725	1,819	529	115	34	33	275	13,530
Additions	332	231	126	207	0	183	0	1,079
Revaluation increases/(decreases) recognised in Revaluation Reserve	80	0	0		0	0	115	195
Revaluation increases/(decreases) recognised in Surplus /Deficit on Provision of Services	(97)	0	0	0	0	0	0	(97)
Derecognition - disposals	(12)	(89)	(62)	0	0	0	(195)	(358)
Reclassification	0	75	(72)	0	69	(3)	(195)	(126)
<b>Valuation as at 31 March 2019</b>	<b>11,028</b>	<b>2,036</b>	<b>521</b>	<b>322</b>	<b>103</b>	<b>213</b>	<b>0</b>	<b>14,223</b>
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2018	339	752	215	19	0	0	23	1,348
Depreciation Charge to I&E 18/19	248	185	87	4	0	0	0	524
Depreciation on Disposals	(2)	(56)	(57)	0	0	0	(23)	(138)
Depreciation written out to Revaluation Reserve	(17)	0	0	0	0	0	0	(17)
Depreciation written out to Surplus / Deficit on Provision of Services	(58)	0	0	0	0	0	0	(58)
Reclassification	0	0	0	0	0	0	0	0
<b>Accumulated Dep'n at 31 March 2019</b>	<b>510</b>	<b>881</b>	<b>245</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,659</b>
<b>Impairments</b>								
8	141	17	0	0	0	0	0	158
Impairment written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment written out to Surplus / Deficit on Provision of Services	0	0	0	0	0	0	0	0
Impairment on Disposals	0	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0	0
<b>Accumulated Impairments at 31 March 2019</b>	<b>141</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158</b>
<b>Net Book Value at 31 March 2019</b>	<b>10,377</b>	<b>1,138</b>	<b>276</b>	<b>299</b>	<b>103</b>	<b>213</b>	<b>0</b>	<b>12,406</b>
<b>Net Book Value at 31 March 2018</b>	<b>10,245</b>	<b>1,050</b>	<b>314</b>	<b>96</b>	<b>34</b>	<b>33</b>	<b>252</b>	<b>12,024</b>
<b>Revaluation Summary</b>								
Revaluation Gains / (Losses)	(17)	0	0	0	0	0	115	98
Revaluation – Written Out Depr'n	75	0	0	0	0	0	0	75
Revaluation - Written out Impairment	0	0	0	0	0	0	0	0
<b>Total Revaluation</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115</b>	<b>173</b>
<b>Nature of Asset holding</b>								
Owned	10,377	1,138	276	299	103	213	0	12,406
	<b>10,377</b>	<b>1,138</b>	<b>276</b>	<b>299</b>	<b>103</b>	<b>213</b>	<b>0</b>	<b>12,406</b>

At 31 March 2020, the authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years. These capital commitments are:

Scheme	Approx Value £000	Period
Brockhole Boiler	146	2020/21
Brockhole Solar Array	139	2020/21
Keswick to Threlkeld Multi-user Route	4,384	2020/21
	<b>4,669</b>	

## 19. Bases of Valuation

From 1 April 1994 all of the Authority's fixed assets have been valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set out in the Statement of Accounting Policies.

Valuations on high value assets are undertaken on an annual basis. Valuations of other assets are carried out through a rolling five-year revaluation programme with all assets being re-valued at intervals of five years or less. The 2019/20 valuations were carried out by Mrs H Lancaster MSc MRICS of the Authority's internal Property Service. in compliance with the guidance notes provided by the Royal Institute of Chartered Surveyors. Valuations of our different types of asset have been carried out as follows:

- All toilets were revalued at 31 March 2020
- All information centres were revalued at 31 March 2017
- Depots were valued as at 31 March 2018
- All car parks were revalued at March 2019
- They also provided a report confirming that there were no changes in market conditions during 2019/20 that would give rise to a material change in the valuations reported at 31 March 2019.

All operational assets other than land and buildings were valued by managers within the Authority at 31 March 2020. The basis of asset valuation is set out below.

Asset Category	Basis of Valuation
Operational Land and Buildings - non specialised	Current Value - Existing Use Value
Operational Land and Buildings - specialised	Depreciated Replacement Cost
Infrastructure, and Community Assets	Depreciated Historic Cost
Vehicles, Plant and Equipment	Depreciated Historic Cost (as a proxy for fair value)
Surplus Assets	Current Value – Fair value estimated at highest and best use from a market participant's perspective

A change has been made to the valuation techniques adopted for some of the Authority's assets this year. This has contributed to a significant increase in the value of assets held on the Balance Sheet. Consequently, these changes have been robustly reviewed resulting in a high level of confidence that the approach adopted is appropriate for the assets concerned. Rational for the changes in valuation techniques are proved below:

Brockhole Visitor Centre for the National Park and is a unique asset and one for which there is no immediately identifiable and appropriate external valuation comparators. The site is highly dynamic and has seen a great deal of capital investment in recent years and new service delivery features have been developed and old ones have been retired. Given the evolution of service delivery on site it is entirely appropriate that the site's categorisation and choice of valuation basis should be periodically reviewed. After due consideration, a conclusion was reached that the site should be treated as a specialised asset and valued at Depreciated Replacement Cost.

Brockhole Car Park is, in practical terms, indivisibly linked to the visitor centre. In order to value on a EUV basis there must be an open market for the sale of the asset. In this instance the Visitor Centre car park exists solely to serve visitors to Brockhole and the Authority would not market it while Brockhole remained operational. Equally a sale of Brockhole could not proceed without the inclusion of the car park. As in reality the car park would not be marketed in isolation and is indivisibly linked to the visitor centre it has been treated as a specialised asset and valued at Depreciated Replacement Cost.

Brockhole Jetty is subject to a Management Agreement with a third part and although this Agreement produces a flow of income (and thus supports a view that the basis of valuation would be Existing Use Value) it is a non-exclusive licence, has restrictive alienation clauses for the operator and the LDNPA retains significant control. Given the development of the Brockhole site the income flow element of the Agreement may not necessarily grow in importance and may become increasingly subsidiary to the role of the Jetty in forming part of a sustainable transport network for the National Park. The Jetty and the Visitor Centre are now viewed as intrinsically linked with the Jetty considered subservient to and indivisible from the specialist asset that is the Visitor Centre. Consequently the asset has been treated as a specialise asset and valued at Depreciated Replacement Cost.

Brockhole Land accommodates a Visitor Centre within the National Park. There are no direct comparables for land with a suitable planning consent (sui generis/D1) capable of accommodating a Visitor Centre within the National Park. In these circumstances consideration has been given to commercial activity, including residential development, across a wider area, also factoring in the possibility of using statutory powers to acquire a site or sites.

Under IFRS 13, fair value is determined using a specific hierarchy as follows:

- Level 1 – Quoted prices in an active market for identical assets
- Level 2 – Other significant observable inputs
- Level 3 – Significant unobservable inputs

The fair value for the Authority's surplus assets, which are land assets, has been determined using level 2 of the above hierarchy. These asset have been categorised as Assets Held for Sale as they meet the requirements set out in the code of practice. The market approach valuation technique using current market conditions and recent sales prices and other relevant information for similar assets in the local area has been used to determine fair value. Any adjustments applied in the assessment of fair value are those consistent with established practices.

In estimating the fair value of the Authority's held for sale, the highest and best use of the properties is their current use. The authority has carried out sufficient work to satisfy itself that the carrying value of assets not valued in year are not materially different to their current values.

Depreciation is provided on assets with a finite useful life, other than freehold land. Two of the Authority's properties, Murley Moss and Brockhole, have been split into components with estimated useful lives as follows:

<b>Component</b>	<b>Useful Life (Years)</b>
Structure	50
Mechanical & Electrical	20
Roof	35
External Works	30

For all other assets depreciation is charged, in line with the accounting policies, on a straight line basis over the following estimated useful lives:

<b>Asset Type</b>	<b>Useful Life (Years)</b>
Operational Buildings	10 to 50 depending on the type of asset and the construction material
Vehicles and Plant	5 to 15
Fixtures and Fittings	5 to 15
Infrastructure Assets	30
Computer Equipment	3 to 5
Other Equipment	5 to 7

Residual values are based on the expected age and condition of the asset at the end of its useful life.

An analysis of all property, plant and equipment, heritage assets & investment property and non-current assets held for sale includes: -

<b>Number Held 2018/19</b>	<b>Type of Asset</b>	<b>Number Held 2019/20</b>
87	Land and Buildings	89
146	Vehicles, Boats & Other Plant	142
49	Computer and General Office Equipment	53
34	Community Assets (land holdings)	34
<b><u>316</u></b>		<b><u>318</u></b>

## 20. Capital Expenditure

Capital Expenditure in 2019/20 was financed as follows:

		2018/19 £000	2019/20 £000
<b>Land and Buildings</b>			
	Brockhole Improvements	175	74
	Toilets	0	4
	Car Parks	30	7
	Coniston Boating Centre	214	14
		<u>419</u>	<u>99</u>
<b>Community Assets</b>		0	0
<b>Investment Properties</b>		0	0
<b>Infrastructure</b>			
	Bridges	11	0
	Multi-User Trails	192	3,477
	Brockhole Attractions	3	0
		<u>206</u>	<u>3,477</u>
<b>Vehicles and Plant</b>			
	Vehicles	25	0
	Boats	160	136
	Plant	22	0
	Car Park Machines	59	0
	Electric Charging Points	0	22
	Brockhole Plant	20	569
	Murley Moss Plant	0	5
	Flood Defence Plant	6	0
	Brockhole Adventure Palyground	0	0
		<u>292</u>	<u>732</u>
<b>Fixtures</b>			
	Brockhole café redesign	31	0
	World Heritage	3	49
		<u>34</u>	<u>49</u>
<b>Equipment</b>			
	Computer Equipment	48	96
	Brockhole Equipment	51	13
	Coniston Boating Centre Equipment	0	25
	Boat Equipment	9	0
		<u>108</u>	<u>134</u>
<b>Intangible Assets</b>			
	Software & Electronic Images	31	0
<b>Total Capital Expenditure to be Financed</b>		<u><b>1,090</b></u>	<u><b>4,491</b></u>
<b>Financing used</b>			
	Useable Capital Receipts	370	400
	Capital Grants & Contributions	222	3601
	Capital Support Fund	0	31
	Direct Revenue Financing	498	459
<b>Total Financing</b>		<u><b>1,090</b></u>	<u><b>4,491</b></u>
<b>Remaining Capital Financing Requirement</b>		<u><b>0</b></u>	<u><b>0</b></u>

## 21. Investment Property

2018/19 £000s	2019/20 £000s
<b>3,323</b> Opening Balance of Investment Property	<b>3,233</b>
0 Additions	
0 Disposals	(105)
(21) Net gains or (losses) from fair value adjustments	3,080
(69) Reclassification as Property, Plant & Equipment	0
0 Reclassification from Assets Held for Sale	180
<b>3,233</b> Closing Balance of Investment Property	<b>6,388</b>

The Authority's investment property assets were revalued as at 31 March 2020 as detailed in note 19. These revaluations resulted in some significant increases in the value of investment property assets, primarily in the value of woodland assets held by the Authority.

Information relating to the fair value hierarchy for the Authority's investment properties is shown in the table below. Under IFRS 13, fair value is determined using a specific hierarchy as follows:

- Level 1 – Quoted prices in an active market for identical assets
- Level 2 – Other significant observable inputs
- Level 3 – Significant unobservable inputs

The Authority has no investment properties that fall into Level 1 of the hierarchy.

	Fair value as at 31 March 2019			Fair value as at 31 March 2020		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Commercial Properties	756	0	756	722	0	722
Woodlands	2,104	0	2,104	4,395	0	4,395
Farms	308	0	308	1,151	0	1,151
Hostels / Residential	0	65	65	0	120	120
<b>Total</b>	<b>3,168</b>	<b>65</b>	<b>3,233</b>	<b>6,268</b>	<b>120</b>	<b>6,388</b>

The following valuation techniques have been used to determine the level 2 and level 3 fair values:

### Significant observable inputs – Level 2

The fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold. The fair value has been assessed using adjustments consistent with established practices.

### Significant unobservable input – Level 3

The fair value for our remaining hostel type asset has also been based on the market approach using current market conditions. However, as detailed below, the fair value has

been assessed using adjustments based on the valuer's judgement alone and which are outside established practices.

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use.

There were no gains or losses resulting from changes in the fair value of assets categorised as level 3 in the above table in 2019/20. A reconciliation of fair value measurements using significant unobservable inputs categorised within level 3 of the fair value hierarchy is shown in the table below:

2018/19 £000	2019/20 £000
<b>65 Opening Balance</b>	<b>65</b>
0 Total gains for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	55
0 Disposals	0
<b>65 Closing Balance</b>	<b>120</b>

As the valuation technique used to measure the fair value of the assets categorised as level 3 is based on current market conditions, significant changes to the market would result in significantly lower or higher values.

Other amounts that have been recognised in the Comprehensive Income and Expenditure Statement relating to investment property are:

2018/19 £000	2019/20 £000
(84) Rental income from investment property	(83)
(11) Other income from investment property	8
3 Direct operating expenses from investment property that generated rental income during the period	3
16 Direct operating expenses from investment property that did not generate rental income during the period	28
<b>(76) Net Income from investment property</b>	<b>(44)</b>

The Authority has contractual responsibility for landlord's repairs and maintenance expenditure on five of its investment properties. It also has responsibility for tree safety works within its woodlands. The Authority may not be able to realise the full value of one property, because external monies were received toward its purchase. There are no restrictions on the Authority's ability to realise the value inherent in its other investment properties or on the Authority's right to the remittance of income and the proceeds of disposal. None of these properties are held under finance or operating leases.

## 22. Leases

Under the Code leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The Code also requires the land and buildings elements of a lease of land and buildings to be classified and accounted for separately.

### Lessee Operating Leases

The Authority uses vehicles, and other equipment financed under the terms of operating leases. The amount paid under these arrangements in 2019/20 was £22,900 (2018/19 £21,000). It also uses land and buildings financed under the terms of operating leases. The amount paid under these arrangements in 2019/20 was £186,500 (2018/19 £165,300). Of this expenditure £85,500 related to contingent rents.

The future minimum lease payments due under non-cancellable leases in future years will be paid over the following periods:

	31 March 2019 £000	31 March 2020 £000
Not later than one year	108	101
Later than one year and not later than five years	201	206
Later than five years	312	266
<b>Total</b>	<b>621</b>	<b>573</b>

### Lessor Operating Leases

The Authority has granted use of a number of its properties under operating leases. The income gained under these arrangements in 2019/20 was £336,600 (2018/19 £327,055). The total value of properties where part or all of the property is leased out under operating leases is as follows:

Asset category	Gross Value £000	Accumulated Impairment & Depreciation £000
Property, plant & equipment	8,244	40
Investment properties	2,323	-
<b>Total</b>	<b>10,567</b>	<b>40</b>

The comparative value for 2018/19 of properties where part or all of the property is leased out under operating leases is as follows:

Asset category	Gross Value £000	Accumulated Impairment & Depreciation £000
Property, plant & equipment	4,740	112
Investment properties	1,029	0
<b>Total</b>	<b>5,769</b>	<b>112</b>

The future minimum lease payments receivable under non-cancellable leases in future years will be received over the following periods:

	31 March 2019 £000	31 March 2020 £000
Not later than one year	162	127
Later than one year and not later than five years	203	166
Later than five years	237	220
<b>Total</b>	<b>602</b>	<b>513</b>

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 2019/20 £117,800 worth of contingent rents were receivable by the Authority (2018/19 £112,500).

### 23. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. All other financial assets and liabilities are classified as loans and receivables, debtors and creditors and are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining life of the instrument, using the following assumptions:

- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount.
- The fair value of cash deposits is taken to be the cash balance as at 31 March 2020

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31 March 2019		31 March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities - short term creditors				
Financial liabilities carried at contract amount	1,044	1,044	1,240	1,240
<b>Total included in Creditors</b>	<b>1,044</b>	<b>1,044</b>	<b>1,240</b>	<b>1,240</b>
Financial assets - long term assets				
Equity instruments - FVOCI	75	75	0	0
<b>Total included in Long Term Assets</b>	<b>75</b>	<b>75</b>	<b>0</b>	<b>0</b>
Financial assets - short term debtors and Amortised cost	3,850	3,850	5,187	5,187
<b>Total included in Current Assets</b>	<b>3,850</b>	<b>3,850</b>	<b>5,187</b>	<b>5,187</b>

#### 24. Income, Expense, Gains and Losses

	Financial Assets	
	Equity Instruments - FVOCI	Loans and Receivables
	£000s	£000s
Interest Income	0	24
<b>Total Income in Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>24</b>
Gains on revaluation	0	0
<b>Surplus/ deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>0</b>	<b>24</b>

The comparator income, expense, gains and losses in 2018/19 are shown below:

	Financial Assets	
	Equity Instruments - FVOCI	Loans and Receivables
	£000s	£000s
Interest Income	0	19
<b>Total Income in Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>19</b>
Gains on revaluation	0	0
<b>Surplus/ deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>0</b>	<b>19</b>

## 25. Nature and extent of 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 investments.

In order to minimise the risks the Authority has adopted the CIPFA Code of Practice for Treasury Management. Accordingly, the Authority approves an annual Treasury Management Strategy which sets out policies on borrowing, investment, financing and interest rate exposure.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. The Authority's Treasury Management strategy requires that deposits are only made if the following criteria are met.

Institution type	Minimum Fitch Long Term Rating / Fund Rating	Time Limit	Money Limit (£m)
Major UK Banks	A	364 days	2
Part Nationalised UK Banks	BBB+	90 days	2
Major Building Societies	A	364 days	1
Money Market Funds	AAA	N/A	5
UK Gilts and Debt Management Office	AA-	364 days	5
Local Authorities	n/a	364 days	1

These ratings are checked weekly. Principal investments are limited to a maximum of £2m with any one financial institution. The rating requirements and investment limits for financial institutions are reviewed annually to reduce the financial exposure with individual banks. The maximum invested at any one time during 2019/20 was £5,412,000 (2018/19 £4,304,000).

The Authority's standard terms and conditions for payment of invoices are 30 days from the invoice date. The Authority does not generally allow credit for customers; however, £19,863 of the £745,548 customer balances at 31 March 2020 was past due. The past due element can be analysed as follows:

31 March 2019 £000	Days Past Due	31 March 2020 £000
12	31 – 60 days	14
2	61 – 90 days	0
1	91 – 120 days	0
30	Over 120 days	6
<b>45</b>	<b>Total</b>	<b>20</b>

The Authority has insufficient data to calculate a meaningful estimated exposure to default and uncollectability in terms of bank deposits. The credit quality of other financial assets is considered to be very high given the low rate of debt write off. Historical experience of default with regard to trade receivables and an analysis of the debt outstanding at 31 March 2020 shows that an allowance for credit losses of £24,165 is adequate to cover any anticipated credit risk for 2020/21. Debts of £628 were written off in 2019/20 (2018/19 £68,800).

### Liquidity risk

All trade and other payables are due to be paid in less than one year. The Authority currently has no borrowings and so there is no significant current or future risk that it will be unable to raise finance to meet its commitments under financial instruments. At 31 March 2020 there are no financial liabilities other than trade creditors, which are expected to be paid within one year. Liquidity risk is managed through daily cash flow monitoring.

### Market risk

The Authority is currently debt free, however, the Prudential Code requires the Authority to fix each year the maximum of interest on borrowing that is subject to variable rates. As the Authority's borrowing is currently expected to be low value and for short term cash management only, it is anticipated that 100% of this could be at variable rates without

exposing the Authority to undue risk. The proportion of fixed and variable rate interest will depend on forecasts for interest rates during the period under review. Maximum borrowing will be undertaken at fixed rates when interest rates are considered to be at their lowest and on a variable basis when interest rates are expected to fall.

In 2019/20 the Authority received £24,300 in interest income (£18,600 in 2018/19). Had interest rates been 1% higher during the period, the income received would have been £41,300. Had they been 1% lower during the period, the income received would have been £0.

### Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

## 26. Cash and Cash Equivalents

31 March 2019 £000		31 March 2020 £000
6	Cash held	5
388	Bank accounts	163
2,330	Money Market Funds	3,350
<u>2,724</u>	<b>Total</b>	<u>3,518</u>

## 27. Short Term Debtors and Prepayments

31 March 2019 £000		31 March 2020 £000
(12)	<b>Impairment for Bad Debts</b>	(24)
	<b>Prepayments &amp; Accrued Income</b>	
0	Local Authorities	0
132	Other	188
	<b>Debtors</b>	
678	Government Departments	793
20	Local Authorities	354
513	Other	751
<u>1,331</u>		<u>2,062</u>

## 28. Short Term Creditors and Receipts in Advance

31 March 2019 £000		31 March 2020 £000
	<b>Income in Advance</b>	
0	Government Departments	0
(69)	Other	(48)
	<b>Creditors</b>	
(142)	Government Departments	(212)
(111)	Local Authorities	(65)
(914)	Other	(1,066)
<u>(1,236)</u>	<b>Total Creditors</b>	<u>(1,391)</u>

## 29. Nature and Purpose of Reserves

The Authority is required to maintain a number of reserves under the provisions of the Code. The reserves and their broad functions are as follows.

### *Usable, cash-backed reserves*

#### **General Reserve**

This balance represents the cumulative surplus available to the Authority to support revenue spending and which has not been earmarked for a specific purpose.

#### **Capital Receipts Reserve**

Capital reserves are not allowed to be used for revenue purposes and in certain cases can only be used for specific statutory purposes. The Capital Receipts Reserve is a reserve established for specific statutory purposes.

#### **Capital Grants Unapplied Reserve**

This reserve represents the balance of capital grants that have been recognised as income but have yet to be used to finance capital expenditure.

#### **Earmarked Reserves**

This balance represents monies available to support revenue spending but which the Authority has earmarked for specific purposes. Details of these specific purposes are shown in the table below:

Ring-fenced Funds Reserve	Used to set aside small amounts of funding allocated for specific purposes and projects running between years
External Grants Reserve	To hold external grant monies until the time they are used to support service delivery
Organisational Development Reserve	Held to support organisational change and development programmes
Inquiry Reserve	Held to meet exceptional public enquiry costs
Climate Change Reserve	Held to support specific projects that reduce our own climate change emissions and emissions projects in the Park
Windermere Registration Reserve	Held to support the management and administration costs of the Windermere Lake Byelaws
Lake District Communities Fund	Held to support specific community led projects that will contribute to the delivery of the Vision, its outcomes, and reflect the principles of distinctive area ways of working
UK National Parks Digital Partnership	Held under agreement in support of service delivery for the UK National Parks Digital Partnership.
Cumbria Woodlands	Held to support the Cumbria Woodlands service
Investing For Our Future Reserve	Held to provide funding to invest in new initiatives that can deliver additional financial contribution and / or improvements in direct delivery
PPA Support Reserve	Held to allow us flexibility in supporting future developments processed via planning performance agreements
Partnership Priorities Reserve	Held to support the achievement of priorities identified by the Lake District National Park Partnership through specific projects
Fix the Fells Reserve	Held to manage income generated from donations, sponsorship and grants and associated expenditure on behalf of the Fix the Fells Partnership
Post Contract Development Works Reserve	Held to fund the future costs of maintaining and developing public access infrastructure improvements where higher standards have increased quality of provision and user expectations
Public Rights of Way Reserve	Held to support the re-instatement of public rights of way following the December 2015 floods and the upgrade of paths within the extension area
Planning Application Fee Increase	To hold income relating to the increase in planning application fees from Jan 18 until the time it is used to support service delivery
Enterprise Fund	To provide investment to explore, evaluate and develop new models for delivering improvements within the National Park

The Authority also has a revenue reserve which has been earmarked to support capital spending. Its specific purpose is detailed below:

Capital Support Fund	To support exceptional costs of asset disposals, the delivery of the Brockhole Programme and the funding of capital schemes
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## ***Unusable, non cash-backed reserves***

### **Capital Adjustment Account**

This account exists to capture those elements of capital accounting required by the Code other than those taken through the revaluation reserve.

### **Pension Reserve**

This reserve captures those charges and movements required to be recognised under IAS 19 when calculating total gains and losses for the year but which are required to be excluded from the movement on general fund balances.

### **Revaluation Reserve**

This reserve was created in 2007/08 and captures the cumulative surplus recognised (but not realised) on the revaluation of fixed assets held by the Authority.

### **Accumulated Absences Account**

This reserve was created under IFRS in 2010/11 and exists to capture the difference between the amount of expenditure recognised in the Comprehensive Income and Expenditure Account relating to accrued holiday pay and flexi time and that required by Statute to be charged to the General Reserve.

### **Deferred Capital Receipts Reserve**

This reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place.

The table below sets out the movements in reserves in the year shown in the Movement in Reserves Statement.

### 30. Summary of Movement on Reserves

Description	Balance at	Gains/	Transfers	Balance	Gains/	Transfers	Balance
	1 April	(losses) in	to/(from)	31 March	(losses) in	to/(from)	31 March
	2018	period	reserves	2019	period	reserves	2020
	£000	£000	£000	£000	£000	£000	£000
<b>Usable Reserves - held for capital purposes</b>							
Useable Capital Receipts Reserve	489	0	(173)	316	0	(273)	43
Capital Grants Unapplied Reserve	18	0	0	18	0	2,199	2,217
Earmarked Reserves							
Capital Support Fund	507	0	(312)	195	0	(19)	176
<b>Usable Reserves - held for revenue purposes</b>							
Earmarked Reserves							
Ring-fenced Funds Reserve	219	0	159	378	0	(119)	259
External Grants Reserve	232	0	106	338	0	55	393
Organisational Devt Reserve	7	0	1	8	0	(8)	0
Inquiry Reserve	174	0	(73)	101	0	(101)	0
Climate Change Reserve	32	0	(5)	27	0	5	32
Windermere Registration Reserve	1	0	0	1	0	0	1
Lake District Communities Fund	31	0	(13)	18	0	(9)	9
Cumbria Woodlands	80	0	55	135	0	3	138
Investing for our Future	236	0	(87)	149	0	(149)	0
PPA Support Reserve	26	0	(26)	0	0	0	0
Partnership Priorities Reserve	312	0	45	357	0	(140)	217
Fix the Fells Reserve	162	0	(32)	130	0	57	187
Partnership Payback Reserve	0	0	0	0	0	0	0
Post Contract Works Reserve	20	0	(3)	17	0	0	17
Public Rights of Way Reserve	177	0	13	190	0	(80)	110
Planning Fee Increase Reserve	14	0	49	63	0	25	88
UK National Parks Digital Partnership	0	0	0	0	0	26	26
Enterprise Fund	112	0	57	169	0	(169)	0
<b>Total Earmarked Reserves</b>	<b>2,342</b>	<b>0</b>	<b>(66)</b>	<b>2,276</b>	<b>0</b>	<b>(623)</b>	<b>1,653</b>
General Reserve	912	0	(142)	770	0	(157)	613
<b>Total Usable Reserves</b>	<b>3,761</b>	<b>0</b>	<b>(381)</b>	<b>3,380</b>	<b>0</b>	<b>1,146</b>	<b>4,526</b>
<b>Unusable Reserves</b>							
Revaluation Reserve	2,142	212	(228)	2,126	3,819	(762)	5,183
Capital Adjustment Account	13,325	0	460	13,785	0	6,948	20,733
Pension Reserve	(15,680)	(1,845)	(1,371)	(18,896)	1,802	(1,294)	(18,388)
Accumulated Absences Account	(176)	0	15	(161)	0	(67)	(228)
Financial Instruments Reserve	30	0	0	30	(30)	0	0
Deferred Capital Receipts	13	0	0	13	0	(13)	0
<b>Total Reserves</b>	<b>3,415</b>	<b>(1,633)</b>	<b>(1,505)</b>	<b>277</b>	<b>5,591</b>	<b>5,958</b>	<b>11,826</b>

### 31. Revaluation Reserve

The purpose of the Revaluation Reserve is to record the amount by which the current value of fixed assets in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. The balance on the Revaluation Reserve at 31 March 2020 in relation to fixed assets represents the revaluation gains accumulated since 1 April 2007. Accumulated gains arising before this date are consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are revalued downwards or impaired, disposed of, or used in the provision of services in which case the gains are consumed through depreciation.

2018/19		Reserve Movements	2019/20	
£000	£000		£000	£000
	<b>(2,142)</b>	<b>Balance at 1 April</b>		<b>(2,126)</b>
<u>(212)</u>		Revaluations (gains) / losses	<u>(3,237)</u>	
	(212)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(3,237)
39		Difference between fair value depreciation and historic cost depreciation	1	
		Reclassify to Investment Property	180	
<u>189</u>		Disposals	<u>0</u>	
	46			181
	<u><b>2,126</b></u>	<b>Balance at 31 March</b>		<u><b>(5,182)</b></u>

### 32. 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings to the Revaluation Reserve to convert current and 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 subsequent costs.

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 the Revaluation Reserve was created to hold such gains.

2018/19		Reserve Movements	2019/20	
£000	£000		£000	£000
	<b>(13,325)</b>	<b>Balance at 1 April</b>		<b>(13,785)</b>
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
537		Depreciation / Amortisation charge for the year	573	
40		Impairments / revaluation losses (gains) for the year	65	
73		Disposal of assets	165	
	<u>650</u>			<u>803</u>
	(39)	Adjusting amounts written out of the Revaluation Reserve		1
	<u>611</u>	Net written out amount of the cost of non-current assets consumed in the year		<u>804</u>
		Reclassify to Investment Property		(180)
	(1,092)	Capital Financing		(4,491)
	21	Change in fair value of investment properties		(3,080)
	<u><b>(13,785)</b></u>	<b>Balance at 31 March</b>		<u><b>(20,732)</b></u>

### 33. Pension Reserve

The Pension Reserve represents overall liability of the Authority for pension payments to employees and ex-employees who are, or have been, members of the Local Government Pension Scheme. It 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 & 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 employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pension reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The position fluctuates from year to year as it represents a snapshot at the end of the financial year, based on prevailing market and other economic conditions and assumptions. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19		Reserve Movements	2019/20	
£000	£000		£000	£000
	<b>15,680</b>	<b>Deficit at 1 April</b>		<b>18,896</b>
		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		
1,583		Current Service Cost	1,728	
434		Curtailment & Past Service Cost	119	
30		Administration expenses	41	
<u>383</u>		Net Interest Cost	<u>438</u>	
	2,430			2,326
	(1,059)	Employer Contributions		(1,032)
	1,845	Remeasurements of the defined benefit liability / (asset) & adjustments		(1,802)
	<u><b>18,896</b></u>	<b>Deficit at 31 March</b>		<u><b>18,388</b></u>

### 34. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

As part of the terms and conditions of employment the Authority makes contributions to the cost of employee's retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority is committed to making these payments. This commitment to make retirement payments at a future date is disclosed in the year that the employees have earned their future pension entitlement in accordance with IAS 19.

At 31 March 2020 the Authority's pension arrangement for its employees was the Cumbria Local Government Pension Scheme, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Cumbria Local Government Pension Scheme is a multi-employer arrangement, under which each employer is responsible for pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contribution to the scheme is calculated in accordance with the LGPS Regulations which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the scheme, for which results are known, took place on 31 March 2019 and at that date showed a funding level of 99% (assets of £2.7 billion against accrued liabilities of about £2.73 billion). The duration of the liabilities for the individual employers who participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

## Governance and Risk Management

The liability associated with the Authority's pension arrangements is material to the Authority, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below:

- Nature of the Scheme

The Scheme targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a 'final salary' scheme) for service up to 31 March 2014 and on revalued average salary (a 'career average' scheme) for service from 1 April 2014 onwards.

- Governance

Management of the scheme is vested in Cumbria County Council as Administering Authority of the Scheme. Cumbria County Council has appointed a Pension Committee (comprised of 8 County Councillors, 1 District Councillor and 2 non-voting employee representatives) to manage the Scheme. Advice is given by Cumbria County Council's Assistant Director – Finance (s151 Officer), the Council's finance team and by two independent advisers. The current advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Scheme. A Local Pension Board, established under the Public Service Pensions Act 2013, assists with the governance of the scheme.

- Funding the Liabilities

Regulations governing the Scheme require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Scheme's solvency, and the detailed provisions are set out in the Scheme's Funding Strategy Statement. The most recent available valuation was carried out as at 31 March 2019, which showed a shortfall of assets against liabilities of £0.28 billion as at that date, equivalent to a funding level of 99%. The fund's employers are paying additional contributions over an average period of 16 years in order to meet the shortfall. The weighted average duration of the Authority's defined benefit obligation is 13 years, measured on the actuarial assumptions used for IAS19 purposes.

- Risk and Investment Strategy

The Scheme's primary long-term risk is that the Scheme's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Scheme with maximising the opportunity for gains across the whole Scheme portfolio. The Scheme achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Scheme manages its liquidity risk to ensure there is sufficient liquidity to meet the Scheme's forecast cash flow.

- Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Scheme is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Scheme's assets failing to deliver the returns required to match the underlying liabilities of the Scheme over the longer term. To mitigate against market value risk, the Scheme has set restrictions on the type of investment it can hold. Mitigation against market risk is also achieved by diversifying across multiple investment managers and regularly reviewing the Investment Strategy and performance of the Scheme.

- Interest Rate Risk

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

- Foreign Exchange Risk

The Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. To reduce the volatility from foreign currency exposure, the Cumbria Scheme has approximately 50% of investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program.

- Credit / Counterparty Risk

Credit risk is the risk that a counterparty to a transaction or a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Scheme to incur financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Through review of the Scheme's external Investment Managers annual internal control reports the Scheme monitors its exposure to credit and counterparty risk.

- Liquidity Risks

Liquidity risk represents the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Administering Authority, with the Actuary, frequently reviews the overall cash flow position of the Scheme to ensure its obligations can be covered. The Scheme holds a large value of very liquid securities which could be promptly realised if required.

- Other Risks

Actions taken by the Government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. The effect of Covid-19 is likely to reduced asset values in the immediate future. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material

### **Discretionary Post-Retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### **Transactions Relating to Post-Employment Benefits**

We recognise the cost of retirement benefits in the reported Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the General Reserve is based on the amount payable to the fund in the year in accordance with statute, so any excess of these current service costs over and above the amount payable for the year is reversed out in the Statement of Movement on the General Fund Balance. The following table outlines transactions made in the Comprehensive Income and Expenditure Statement during the year:

Revenue Transactions	Local Government		Discretionary	
	Pension Scheme		Benefit	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Service lines - Current service cost	1,583	1,728	0	0
Service lines - Administrative expenses	30	41	0	0
Non Distributed Costs - Curtailment and past service costs	434	119	0	0
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
Net interest expense	352	410	31	28
<hr/>				
<b>Total Post-employment benefits charged to Surplus or Deficit on the Provision of Services</b>	<b>2,399</b>	<b>2,298</b>	<b>31</b>	<b>28</b>
<hr/>				
<b>Other Comprehensive Income &amp; Expenditure</b>				
Remeasurements of the net defined benefit liability comprising:				
Return on plan assets (gains) & losses (excluding the amount included in net interest)	(1,833)	988	0	0
Actuarial (gains) & losses due to changes in demographic assumptions	0	(2,673)	0	(35)
Actuarial (gains) & losses due to changes in financial assumptions	3,636	(1,208)	42	(13)
Experience (gains) and losses on liabilities	0	1,245	0	(106)
<hr/>				
<b>Total Post-employment benefits charged to Comprehensive Income &amp; Expenditure Statement</b>	<b>4,202</b>	<b>650</b>	<b>73</b>	<b>(126)</b>
<hr/>				
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits	(2,399)	(2,298)	(31)	(28)
<b>Amount charged to General Reserve balance for pensions in year</b>				
Employer's contributions payable to scheme	994	966	65	66

## Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans as at 31 March 2020 is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Present value of the defined benefit obligation	66,798	66,260	1,244	1,052
Fair value of plan assets	(49,125)	(48,903)	0	0
Up front deficit recovery payment for 18/19 & 19/20	(262)	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>17,411</b>	<b>17,357</b>	<b>1,244</b>	<b>1,052</b>

## Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
<b>Opening fair value of scheme assets</b>	<b>46,224</b>	<b>49,125</b>	<b>0</b>	<b>0</b>
Interest income	1,211	1,178	0	0
Administration expenses	(30)	(41)	0	0
Remeasurement gain / (loss) on the return on plan assets	1,833	(988)	0	0
Employer Contributions	994	966	65	66
Member Contributions	339	343	0	0
Benefits / transfers paid	(1,446)	(1,680)	(65)	(66)
<b>Sub-total (excluding upfront payment)</b>	<b>49,125</b>	<b>48,903</b>	<b>0</b>	<b>0</b>
Upfront deficit recovery payment	262	0	0	0
<b>Closing balance as at 31 March</b>	<b>49,387</b>	<b>48,903</b>	<b>0</b>	<b>0</b>

The actual return on scheme assets in the year was -£1,752,000; (2018/19: £3,044,000)

## Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The total net liability of £18.4 million has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, arrangements are in place for funding the deficit and, based on the latest valuation, the financial position of the Fund is improving year on year.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
<b>Opening balance as at 1 April</b>	<b>60,689</b>	<b>66,798</b>	<b>1,236</b>	<b>1,244</b>
Current Service Cost	1,583	1,728	0	0
Interest Cost	1,563	1,588	31	28
Member Contributions	339	343	0	0
<i>Remeasurements (gains) and losses</i>				
Actuarial (gains)/losses due to changes in financial assumptions	3,636	(1,208)	42	(13)
Actuarial (gains)/losses due to changes in demographic assumptions	0	(2,673)	0	(35)
Experience (gains)/losses	0	1,245	0	(106)
Losses/ (gains) on curtailment	31	7	0	0
Losses/ (gains) on past service cost	403	112	0	0
Benefits / transfers paid	(1,446)	(1,680)	(65)	(66)
<b>Closing balance as at 31 March</b>	<b>66,798</b>	<b>66,260</b>	<b>1,244</b>	<b>1,052</b>

#### Local Government Pension Scheme assets comprised:

Assets in the pension fund are valued at realisable value which is principally market value for investments. As the type of asset will determine the risk associated with that asset, details of the categories of fund asset are shown below.

	Quoted	Fair value of scheme assets	
		2018/19 £000	2019/20 £000
Cash and cash equivalents:			
Cash accounts	Y	2,358	1,858
Net current assets	N	49	49
Equities:			
UK quoted	Y	4,616	4,891
Global quoted	Y	10,611	9,781
UK equity pooled	Y	491	0
Overseas equity pooled	N	6,927	3,423
Equity protection	N	639	0
Bonds:			
UK corporate bonds	Y	2,997	0
Overseas corporate bonds	Y	98	0
UK Government indexed pooled	N	8,793	11,248
Property:			
UK	N	3,095	2,885
Property Funds	N	1,474	1,369
Alternatives:			
Healthcare Royalties	N	295	342
Private Equity Funds	N	1,425	1,809
Multi Asset Credit	N		5,868
Infrastructure Funds	N	3,832	3,619
Real Estate Debt Funds	N	246	196
Private Debt Fund	N	1,179	1,565
<b>Total assets</b>		<b>49,125</b>	<b>48,903</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme and discretionary benefit liabilities have been estimated by Mercer Limited, an independent firm of actuaries, with estimates for the Cumbria County Council Fund being based on the latest full valuation at 31 March 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018/19	2019/20
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	23.3	22.6
Women	25.9	25.2
Longevity at 65 for future pensioners		
Men	25.6	24.2
Women	28.6	27.1
Rate of inflation	2.20%	2.10%
Rate of increase in salaries	3.70%	3.60%
Rate of increase in pensions	2.30%	2.20%
Rate for discounting scheme liabilities	2.40%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period except to add a new measure, change in investment returns.

Change in assumption	Increase / (decrease) in the Defined Pension Obligation in the £000
Longevity (1 year increase in life expectancy)	1,798
Rate of inflation (increase by 0.1% per annum)	1,244
Rate of increase in salaries (increase of 0.1% per annum)	157
Rate of investment returns (increase/decrease 1% per annum)	488/(488)
Rate for discounting scheme liabilities (increase by 0.1% per annum)	(1,222)

### Asset and Liability Matching Strategy

Cumbria Local Government Pension Scheme does not have an asset and liability matching strategy. However, Local Government Pension Schemes have a long term liability profile, and their investment strategy must be undertaken with a view to matching this. The

Scheme's Investment Strategy is to hold assets across a range of products and managers in order to diversify risk.

The policy documents for the Cumbria Local Government Pension Scheme include a 'Funding Strategy Statement' (FSS) which is reviewed and published whenever there is a material change in either the policy on the matters set out in the FSS or the scheme's 'Statement of Investing Principles'. The FSS addresses the issue of managing the need to fund benefits guaranteed by statute over the long term. The implementation of the funding strategy is the responsibility of Cumbria County Council, acting on the professional advice provided by the actuary. The purpose of the FSS is to:

- establish a clear and transparent fund-specific strategy which will identify how employers pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities

In practice the funding target is met by a range of combinations of funding plan, investment strategy and investment performance. The Investment Strategy Statement and the Funding Strategy Statement are published in the Cumbria LGPS Annual Report, which is available on the Cumbria County Council website.

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. Each employer's position within the scheme is assessed separately and their individual contribution rate takes into account their differing circumstances and the funding plan, as laid down in the Funding Strategy Statement. In 2014 the Authority agreed a strategy with the scheme's actuary to achieve a funding level of 85% by 31 March 2016 when the next triennial valuation was due. This assumed a 19 year recovery period. The results of the March 2016 valuation show a 91% funding level with an assumed recovery period of 16 years. The next valuation was dated 31 March 2019, at which time the funding level was 99% and the recovery period reduced to 13 years.

If any employer becomes unable to pay contributions or make good deficits in the future, the Fund's assets will be lower than expected and the funding level will be worse than expected. This risk can be mitigated by regular employer covenant reviews by the Administering Authority. However, in the ultimate default of an employer any shortfall would then become the responsibility of any guarantor or all other employers in the Fund. If an employer terminates participation and becomes an Exiting Employer under the Regulations then the shortfall will be determined in line with the termination policy set out in the Funding Strategy Statement.

The Authority anticipates making contributions of £987,000 to the scheme in 2020/21. This excludes the deficit recovery payment of £54,500 which was paid up front in 2020/21 (£167,400 in total covering 2020/21 to 2022/23). Paying the deficit recovery payments for 2020/21 to 2022/23 in advance and paying the employers contributions for the year in April will result in net cash savings to the Authority of approximately £58,500 over the three years.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2019/20 (19 years 2018/19). The very mature duration profile has been used to determine these assumptions.

### 35. Cash Flow Statement - Reconciliation of Income and Expenditure Deficit to the Revenue Activities Net Cash Flow

The cash flow statement for 2019/20 summarises the inflows and outflows of cash to and from the Authority arising from transactions with third parties for both revenue and capital.

2018/19 £000		2019/20 £000
1,505	(Surplus) / Deficit on the Provision of Services	(6,510)
0	Transfer of UK National Parks Digital Partnership net assets	13
	<b>Adjustments to the net surplus or deficit on the provision of services for non cash movements</b>	
0	Disposal of investment	(75)
(564)	Depreciation, Impairment & Revaluation charges	(628)
(21)	Change in fair value of investment properties	3,080
(12)	Amortisation of intangible assets	(10)
(262)	Carrying amount of non-current assets sold	(167)
(1,638)	Movement in pension liability (IAS 19)	(1,294)
(8)	Increase/(decrease) in inventories	17
(391)	Increase/(decrease) in debtors	743
271	(Increase)/decrease in creditors	(123)
(8)	(Increase)/decrease in provisions	0
39	(Increase)/decrease in impairment for bad debts	(12)
<u>(2,594)</u>		<u>1,529</u>
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
222	Proceeds from the sale of property plant and equipment, investment property and intangible assets	128
<u>197</u>	Other receipts from investing activities	<u>4,636</u>
<b>419</b>		<b>4,764</b>
<u><b>(670)</b></u>	<b>Net Cash Flow from Operating Activities</b>	<u><b>(204)</b></u>

### 36. Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000		2019/20 £000
6,490	Cash paid to employees	7,128
6,975	Other operating cash payments	5,241
(6,025)	Cash received for goods and services	(5,582)
(5,495)	National Park Grant	(5,590)
(2,598)	Other revenue grants	(1,376)
0	Transfer of Cumbria Woodlands net assets	0
(17)	Interest Received	(24)
<u><b>(670)</b></u>		<u><b>(203)</b></u>

### 37. Cash Flows from Investing and Financing Activities

2018/19 £000	2019/20 £000
<b>Investing Activities</b>	
1,122 Purchase of property plant and equipment, investment property and intangible assets	4,172
15 Purchase/Disposal of Long term investments	0
(217) Proceeds from the sale of property plant and equipment, investment property and intangible assets	(128)
(38) Other receipts from investing activities	(4,636)
<b>882 Net cash flows from investing activities</b>	<b>(592)</b>
<hr/>	
<b>0 Net cash flows from financing activities</b>	<b>0</b>

### 38. Contingent Liability

Under the provisions of the Conservation (Natural Habitats &c) Regulations 1994 the Authority had an obligation to review any planning permissions on Special Area of Conservation sites. The majority of work was undertaken but there are two sites where a review is still in progress. Any changes considered necessary to the current planning permissions as a result of these reviews may lead to a requirement to pay compensation. However, it is not currently possible to assess the likelihood or amount of any potential compensation payment. Furthermore, legislative changes since the permissions were granted and the fact that activity on one of the sites is not significant give rise to further options for progress and further uncertainty as to the ultimate course of action. Options for progress may or may not involve the Authority directly and significant further work will need to be undertaken before this can be decided upon.

### 39. Other Significant Transactions

Overall Net Assets held by the Authority increased from £277,000 in 2018/19 to £11,826,000 in 2019/20. This has been the result of a substantial capital programme in 2019/20 and revaluations of existing assets.

Total capital expenditure for 2019/20 was £4.49m, £3.48m of which funded the Keswick to Threlkeld multi user trial. This project has attracted external European Structural Investment funds and is an important contributor to the Low Carbon Lake District programme.

Revaluations of the Authority's Investment Property has resulted in the balance sheet carrying value increasing from £3,233,000 in 2018/19 to £6,388,000 in 2019/20. A comprehensive programme of valuations has been undertaken of woodland assets, which has produced significant value increases. Changes to lease arrangements at one investment property has also contributed to the overall increase in the value of Investment Property held by the Authority.

Non Investment Assets revalued in 2019/20, included the Brockhole site. Significant improvements have been made to the site over the last two years, which along with market conditions has resulted in an increased value of the site. This has been a major factor in

Property Plant and Equipment assets held on the balance sheet increasing from £12,406,000 in 2018/19 to £19,445,000 in 2019/20

## **Annual Governance Statement – Lake District National Park Authority.**

### **1. Scope of responsibility**

Lake District National Park Authority (the Authority), is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website. This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 (1)(b), which requires all relevant authorities to prepare an annual governance statement.

### **2. The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its priorities and to consider whether those priorities have led to the delivery of appropriate services and value for money.

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 to the achievement of the Authority's policies, aims, objectives and Vision, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The following section summarises the key elements of the Authority's Governance arrangements in place during the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

### **3. Review of Effectiveness**

During 2019/20, organisation wide assurance information has been collated using different means of independent review of effectiveness across the Authority's Services. These include assurance reviews by Internal Audit (TIAA) and External Auditor Grant Thornton.

The significant Governance issues we identified in the 2018/19 review and have worked on during 2019/20 are as follows;

- Deliver and Embed improved Commerciality in the Organisation through ongoing delivery of the Investing for our Future programme in 2019/20 and continuing our staff engagement programme around commercial delivery.
- Deliver the Authority's Organisational Development Strategy by finalising the Authority's Equality framework and developing our project management processes.

- Prioritise project management upskilling in order to ensure projects are delivered on budget, on time and to the required quality.

The review for 2019/20 has been undertaken and the effectiveness of our arrangements is set out below.

## **4. Governance Arrangements**

### **4.1 The Authority's Vision of its Purpose and Intended Outcomes and Translating the Vision Into Objectives**

The Authority's Business Plan is a key document for the Authority, providing the framework for all Authority activity. The Business Plan gives a clear message to the public and our partners about the priorities for the Authority over the course of its 3 year term, setting out where the Authority will be focusing its resources and activity. Along with the Authority's Vision and priorities, the Business Plan also details the key objectives and actions to be delivered in support of the Vision outcomes.

### **4.2 The Authority's Vision – Implications for Governance Arrangements**

The Authority's direction of travel is reviewed annually with Members to ensure that objectives and actions are still relevant and consistent with Members' aspirations. Key objectives have been reviewed and all lines of responsibility have been assigned for the specific actions forming the Authority Business plan.

The Business Plan is underpinned by a set of supporting strategies and detailed Service Plans that set out key activities and measures for each outcome theme in the Business Plan. The Business Plan forms the basis of quarterly performance reports received by the Resources Committee.

### **4.3 Measuring the Quality of Services**

Performance within services is measured monthly against Performance Indicators, which in turn feed into Service Plans monitored by the Strategic Leadership Team. Performance Indicators are continually refined and reviewed to ensure their continuing relevance to our operations and to ensure high quality data for business decision making.

### **4.4 Roles and Responsibilities**

The Authority documents and defines roles and responsibilities in a number of ways. These are set out in the Scheme of Delegation and Terms of Reference for each Committee. The Authority's role in significant partnerships is defined and responsibilities within these are understood by relevant parties.

## 4.5 Governance and People

The Authority has adopted a suite of core policies, values and behaviours to complement our Vision and these have been agreed by Members. This framework is used to develop the workforce and to provide a clear definition of the standards of behaviour expected of our staff. Our processes assist internal communication and promote accountability and decision making. The framework is supported by the Authority's Code of Conduct and staff induction programme.

We have embedded our refreshed and re-launched values into our performance appraisal process and also rolled these out to our Volunteers Service. This development, combined with our refreshed Volunteers Strategy ensures a near seamless provision of services between staff and volunteers.

Our Organisational Development Strategy is the principle means by which we develop skills and capacity within the organisation. In 2019/20 we have refreshed our Organisational Development Strategy and this is now nearing completion. We will continue to implement our Organisational Strategy to provide staff with the right skills to deliver our business objectives. We continue to strengthen our management arrangements around equalities legislation to ensure we fulfil our obligations to promote social inclusion as a public body. As part of our Organisational Development Programme, Strategic Leadership Team continues to promote service accessibility and inclusion and develop a plan with them to enhance our policies and services as required. A new Organisational Development Action Plan has been formulated to address all aspects of our strategy. We will continue to refine our Equalities Framework as necessary as part of this work.

***Significant Governance Issue (ongoing) – Implement the leading elements of new Organisational Development Action Plan.***

## 4.6 Risk Management

To support the need for continuous improvement, the Authority developed an integrated assurance framework to contribute to the delivery of the objectives and actions set out in the Business Plan. This has been embedded through facilitator-led risk management sessions and an improved approach to service planning and day-to-day risk management processes.

The corporate risks and issues log is discussed at the monthly Strategic Leadership Team meetings and all risk owners are clear of their roles and responsibilities within the risk management framework. Communication of risk as part of the quarterly Performance Indicator report ensures the Authority's Members have an opportunity to comment and contribute. As part of our risk management procedures we have updated our business continuity arrangements and extended these to all sites. We have conducted testing so that we can be sure the business is able to recover quickly in the event of a significant disruption. This will now be a local working document in all areas and will be tested on a regular basis.

## 4.7 Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained

The Anti- Fraud and Corruption Policy remains appropriate and fit for purpose. Employees are made aware of its requirements in detail as part of our Employee Conduct Policy and our policy on Interest in Contracts. Employees must comply with our Financial Regulations and Standing Orders on Contracts and Tendering and with best practice when dealing with the Authority's affairs. We also operate a disciplinary procedure covering fraud and corruption. Members must operate within our adopted Code of Conduct for Members of the Lake District National Park Authority and with Standing Orders. The Members Handbook sets out the relevant requirements.

## 4.8 Ensuring Effective Management of Change and Transformation

The Authority must be able to respond flexibly to challenges and opportunities through the continued transformation of services and new ways of working in order to make best use of all Authority resources. The Authority uses its Strategic Leadership Team to manage change with support from Members. This enables the Authority to effectively manage change processes and maintain a workforce that efficiently and effectively delivers a high standard of service to local residents. Change processes are managed effectively, fairly and consistently through proper planning, consultation and communication. This approach has also provided support staff throughout periods of change implementation in the Authority.

## 4.9 Financial Management Arrangements

The Authority's financial management arrangements conform to the Governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government" as the Director of Communications and Resources (S151 Officer) is a key member of the Strategic Leadership Team and has unfettered access to the Chief Executive. The Director of Communications and 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. Responsibilities are defined in the Scheme of Delegation. The Director of Communications and Resources oversees the development and work of the financial management function at the Authority and is its responsible officer for matters of financial administration. The post holder is professionally qualified as a Chartered Public Finance Accountant with suitable experience.

As part of its financial management arrangements, the Authority continues to proactively work to become more financially self-sufficient and has implemented its IFOF (Investing for Our Future) programme in order to address this and structure its approach. The programme involves a series of projects that will make our commercial services more effective and improve our business efficiency. As new projects are initiated within the programme, the process is overseen by the IFOF Governance Manager to ensure complete focus on delivery and associated financial arrangements. The investment strategy approved by Members as part of our Medium Term Financial Strategy seeks to make investments that will enhance our overall financial position to compliment this objective. The national financial environment makes this area of work important for our long term financial stability.

Like other Local Authorities, the Lake District National Park Authority is experiencing unique financial challenges relating to the COVID-19 situation and is working hard to evaluate the impacts of these and to develop mitigations. We are working closely with external bodies, including DEFRA to ensure our issues are widely understand. This work during the early part of 2020/21 will be essential to the delivery of a balanced budget over the medium term.

### ***Significant Governance Issues (ongoing) –***

***Delivery of the Investing for our Future programme in 2020/21 and continuing our staff engagement programme around commercial delivery.***

### ***Ensuring the financial stability of the Authority through the Covid-19 situation by:***

- ***evaluating the emerging financial impacts of COVID 19 and raising these with DEFRA and other bodies as appropriate***
- ***taking steps to ensure the Authority can continue to set a balanced budget over the medium term.***

#### **4.10 Financial Monitoring and Reporting**

The Executive Board and Strategic Leadership Team receive monthly financial performance reports. Members receive quarterly reports including revenue monitoring and forecast projections to the end of the financial year. The Chief Financial Officer is a member of the Strategic Leadership Team and Executive Board and attends both their meetings on a monthly basis.

#### **4.11 Ensuring Effective Arrangements are in Place to Perform the Monitoring Officer Function**

The Head of Governance is the Authority's Monitoring Officer (The Director of Sustainable Development). This officer has a duty to report to the Authority and Executive where they are of the opinion that any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration. The Monitoring Officer provides a range of functions relating to the conduct of Members (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc.) advising the Governance Committee and providing commentary on every report to Members.

The Monitoring Officer is supported in his role by the Authority Solicitor who advises on legal matters and acts as the Deputy Monitoring Officer as required and attends Executive Board and Committee meetings to support lawful decision making.

#### **4.12 Ensuring Effective Arrangements are In Place to Perform the Head of Paid Service Function**

The Authority's Head of Paid Service is the Chief Executive and contained within the Authority's Local Code of Corporate Governance is the principle of 'Members and officers working together to achieve a common purpose with clearly defined functions and roles'. The Chief Executive is responsible and accountable to the Authority for all aspects of Operational Management. The Chief Executive is supported in his role by the Directors, and has regular access to and contact with the Members through formal and informal meetings. The Strategic Leadership Team also supports this role and consists of the Executive Board and Heads of Service meeting monthly to discuss strategic developments and business performance.

#### **4.14 Governance Committee**

As a means of ensuring Best Practice, the Authority has established a Governance Committee to oversee the workings of corporate governance arrangements of the Authority and to report to the Authority on these and related financial probity issues. The Governance Committee operates within CIPFA's "Audit Committees – Practical Guidance for Local Authorities".

#### **4.15 Internal Audit**

The Authority maintains an independent Internal Audit Service, which operates within the principles set out within the Public Sector Internal Audit Standards (PSIAS). Internal Audit has carried out an annual programme of reviews as approved by the Governance Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the Authority's Internal Audit service. The Head of Internal Audit has provided a written opinion to the governance committee based on the work undertaken on behalf of the Authority during the year. No internal audits had a limited or no assurance outcome and therefore on this basis the Head of Internal Audit gave an opinion that the Authority has reasonable and effective risk management, control and governance processes in place.

#### **4.16 Ensuring Compliance with Relevant Laws**

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision making process. All reports to Members are reviewed by both the Director of Communications and Resources, Monitoring Officer and Authority Solicitor. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. The Authority has a variety of methods for receiving updates in legislative changes. In addition to departmental officers in keeping up to date with legislative, regulatory and guidance changes, the Authority subscribes to a legislative update service. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. This is supported by employee's membership of professional bodies and the associated requirement that they will remain up to date with changes to their area of expertise and responsibility. Employees are provided with training to maintain up to date professional competencies where applicable.

The Authority Solicitor successfully continues to work with the Strategic Leadership Team to examine our information management arrangements on an ongoing basis and ensure that we have robust arrangements in place to retain compliance.

#### **4.17 Complaints and Whistle Blowing**

The Authority operates a formal Complaints System in accordance with Best Practice, giving members of the public the ability to complain about aspects of the Authority's service with which they are dissatisfied. The Authority reviews any complaints received in order to assess their validity and learn for the future. The Authority's whistleblowing arrangements are set out in our Confidential Reporting Policy which is available to all staff on our intranet and externally on our web-site. Our Confidential Reporting Policy ensures there is a clear channel of confidential reporting for staff should this be required.

#### **4.18 Clear Channels of Communication**

All formal meetings are held in public, with the reports and minutes of those meetings being published on the Authority's website unless there are legal reasons for confidentiality. There are opportunities for members of the public to ask questions at meetings of the Authority and Committee meetings. Various channels of communication are available to ensure all stakeholders find information accessible. Internal communications are also delivered using a number of channels.

We run a programme of internal communications to engage teams in what it means to be more commercial in our approaches so that we can do even more great work out in the Park. This has been successful and we need to ensure that over the coming year we maintain momentum so that staff remain engaged.

#### **4.19 Enhancing the Accountability for Service Delivery and Effectiveness of other Public Service Providers**

Whilst the Authority continues to deliver most of its services directly there are a number of areas where services are commissioned. The Authority has a number of significant contractual arrangements in place for the delivery of services. Arrangements are in place, to monitor both the delivery, price and quality of these services and this is reported back to the Authority through financial and performance reporting.

#### **4.20 Commerciality and Commissioning**

The Authority recognises that a commercial and commissioning approach brings with it opportunities for introducing greater flexibility with regard to the delivery of services. Purchasing of services from third parties also demands that we receive assurance that the businesses delivering the goods and services are resilient, reliable and reputable and will continue to deliver at the right quality in the face of difficult economic conditions locally, nationally and globally. This work is governed by the regulations and guidance set out in our Contract Standing Orders and Procurement guidance.

#### 4.21 Good Governance in respect of Partnerships

The Authority's key Governance arrangements and procedures ensure that partnerships are entered into for the right reasons and that partnership arrangements are clearly defined. The actual appliance of and delivery of partnerships is the responsibility of individual service areas. Significant partnerships are subject to regular monitoring and review.

### 5. Significant Governance Issues

The significant governance issues that we plan to address during 2020/21 are:

- 1) *Deliver and Embed improved Commerciality in the Organisation through ongoing delivery of the Investing for our Future programme in 2020/21 and continuing our staff engagement programme around commercial delivery.*
- 2) *Implement the leading elements of new Organisational Development Action Plan*
- 3) *Ensuring the financial stability of the Authority through the Covid-19 situation by:*
  - *evaluating the emerging financial impacts of Covid-19 and raising these with DEFRA and other bodies as appropriate*
  - *taking steps to ensure the Authority can continue to set a balanced budget over the medium term*

### 6. Conclusion

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Signed: .....

(Chairman)



.....

(Chief Executive)

**On behalf of the Lake District National Park Authority**

**3 February 2021**

## GLOSSARY OF TERMS

**Accounting Period** - The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

**Accruals** - Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made or received at the balance sheet date.

**Amortisation** – The writing down of intangible assets and revenue expenditure funded from capital resources by making a charge (similar to depreciation) to service revenue accounts.

**Budget** - A statement of the Authority's plans in financial terms. A budget is prepared and approved by the Lake District National Park Authority prior to the start of each financial year and is used to monitor actual expenditure throughout the year.

**Capital Expenditure** - Expenditure on new assets such as land and buildings, or on enhancements to existing assets that significantly prolong their useful life or increase their value.

**Capital Financing Costs** - The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

**Capital Receipt** - Income from the sale of capital assets such as land or buildings.

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**Creditors** - Amounts owed by the Authority at 31 March for goods received or services rendered but not yet paid for.

**Current Assets** - Assets which can be expected to be consumed or realised during the next accounting period.

**Current Liabilities** - Amounts which will become due or could be called upon during the next accounting period.

**Debtor** - Amounts owed to the Authority, which are collectable or outstanding at 31 March.

**Deferred Liabilities** - This represents the liability for principal repayments on finance leases.

**Depreciation** - The estimated using up of the value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

**Finance Lease** - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Government Grants** - Payments by central government towards local authority expenditure. They may be specific, for example Sustainable Development Grant, or general, such as National Park Grant.

**Heritage Assets** - Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

**National Park Grant** - The main grant paid by central government to a National Park Authority towards the costs of its services.

**Non-Current Asset** - Assets that can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

**Operating Lease** - A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

**Precepts** - The amount required to be collected on behalf of a local authority that cannot levy a council tax directly on the public (for example a National Park Authority).

**Provisions** – Amounts set aside to meet known liabilities.

**Reserves** - Amounts set aside in the accounts for the purpose of meeting future expenditure.

**Revenue Expenditure** - Spending on day-to-day items including employees' pay, premises costs and supplies and services.

**Revenue Expenditure Funded from Capital Under Statute** - Expenditure of a capital nature but for which there is no tangible asset, for example capital grants.

#### **Abbreviations used in the accounts**

BVACOP – Best Value Accounting Code of Practice

CIPFA - Chartered Institute of Public Finance and Accountancy

IFRS – International Financial Reporting Standards

FRS - Financial Reporting Standard

SSAP - Statement of Standard Accounting Practice

SORP - Statement of Recommended Practice