



Lake District
National Park

Statement of Accounts 2020/21



TABLE OF CONTENTS

Narrative Report	3
Statement of Responsibilities	16
Independent Auditor's Report to the Members of the Lake District National Park Authority	18
Statement of Significant Accounting Policies	23
Comprehensive Income and Expenditure Statement	33
Movement in Reserves Statement	34
Balance Sheet	35
Cash Flow Statement	36
Notes to the Core Financial Statements	37
Annual Governance Statement	76
Glossary of Terms	83

NARRATIVE REPORT

FOR THE PERIOD 1 APRIL 2020 TO 31 MARCH 2021

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 plan 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 has been developed and is due to be presented to Authority in October 2021 for approval and adoption.

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 priority areas such as Net Zero Carbon Lake District, Nature Recovery, The Future of Farming, Landscape Culture and Beauty, Smarter Travel, Affordable Housing, Lake District For Everyone and Delivering Service Objectives.

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 2020/21 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 2021 are presented in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). This format incorporates the requirements of International Financial Reporting Standards (IFRS) wherever this is possible.

External Financial and Economic Environment

The Department for 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 2020/21, the level of core funding allocated by Defra resulted in a flat-cash settlement at the same level as funding received in 2019/20. This was augmented in-year in response to the Covid-19 pandemic as detailed below. The Authority set a balanced revenue budget for 2020/21 based on funding from Defra and an estimate of the level of additional income it could earn from other sources. In 2020/21 the Lake District National Park Authority was not required to levy local councils to generate funding.

Going Concern

The Authority's accounts have been prepared on the basis that the Authority continues to operate as a going concern for the foreseeable future. Due to the economic and statutory environment in which local authorities operate it has been confirmed that as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be provided on anything other than an ongoing basis.

This technical definition is supported by the Authority's ability to demonstrate robust financial planning coupled with an MTFS that delivers a balanced budget over the medium term and at the same time increase our General Reserve. The Balance Sheet shows healthy liquidity levels with

cash and cash equivalents at £3.171M and Current Assets exceeding Current Liabilities by £3.008M.

The Impact of Covid-19 on the future financial standing of the Authority has continued to be reviewed and addressed throughout the year as circumstances and regulations changed, as detailed below.

Covid-19

Covid-19 related restrictions were imposed in March 2020 and as the national "lock-down" was implemented, a number of commercial sites needed to close, resulting in a significant reduction in income during the 2020/21 visitor season. In order to mitigate this, the Authority underwent 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 on income streams. As a result of this Defra undertook to provide additional funding to assist the Authority in reaching a balanced budget for 2020/21. To this end, Defra committed to under-writing the likely deficit on the Authority's 2020/21 revenue budget up to a maximum of £1.365M, providing reassurance that the Authority's short-term financial stability would be maintained.

The Authority addressed the loss in commercial income arising from the impact of the pandemic through a combination of this additional Defra support; a thorough review of our capital and revenue spending plans and earmarked reserves; ensuring an agile and responsive approach to managing our visitor sites (enabling us to generate commercial income as far we could); and accessing central government Covid-19 support schemes where eligible.

Having secured the Authority's 2020/21 financial stability, attention moved on to the Authority's medium-term future. The Authority identified a significant financial deficit over the medium term, and an organisational restructuring programme was necessary to balance the Authority's medium term position. This project, known as Securing Our Future, was completed in March 2021. It restructured the Authority's services to more effectively to deliver our Organisational Strategy and has allowed us to project balanced revenue budgets for the financial years, 2021/22 to 2024/25. As a result, the Authority's medium-term financial stability is now considered to be secure, though trading risks relating to the course of the pandemic will remain.

In this context, we have increased our General Reserve level in excess of £1M and through our MTFS have initiated plans to increase its target balance to £1.5M. We have also made provision to establish a separate trading reserve of £500K over the duration of our MTFS to provide further contingency in the event of adverse trading conditions. So, while the Covid-19 pandemic has been extremely challenging and necessitated difficult structural change, our management interventions have safeguarded and bolstered our medium term financial stability.

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 core Defra National Park Grant, the Authority received other grants and contributions. A number of these were directly related to Covid, as follows:
Our most significant grant receipts were.

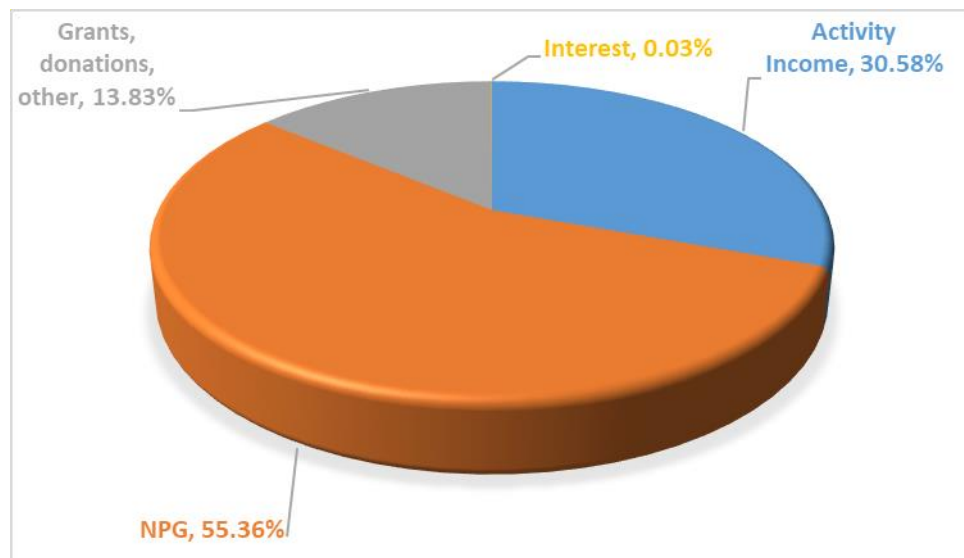
- Additional Defra National Park Grant of £1.365M
- Local Restrictions Support grants of £38,000
- Retail and Hospitality grants of £85,000
- Furlough grant of £1,060,000

Other significant grant receipts were

- Cumbria County Council of £42,000 for Safer Lakes and £46,000 for Rights of Way
- Lake District Foundation of £46,000 for Fix the Fells, other projects including Looking After the Lake District
- Heritage Lottery of £40,000 for the Kitchen Garden Education

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.

Sources of Revenue Funds 2020/21



Sources of Capital Funds

In 2020/21 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 gross £161,000 from the sale of assets which, along with direct revenue funding, were used to finance the 2020/21 capital programme. The balance of capital resources remaining will be used to fund the Authority's capital programme in 2021/22. 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 31/3/21 is shown below.

	Opening Balance £000	2020/21 £000	Closing Balance £000
Capital Receipts	43	161	204
Usable Capital Grants & Contributions	2,217	(1,811)	406
Capital Support Fund	176	(176)	0
Total Capital Resources	2,436	(1,826)	610

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 2020/21 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 180 FTE staff are employed. The following table shows how these resources were spent during 2020/21 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 Board & Legal	862	694	(168)
Programmes & Resources	2,088	1,965	(123)
Visitor Services	302	429	127
People & Organisational Development	467	465	(2)
Communications & Customer Engagement	487	502	15
Development Management	481	474	(7)
Strategy & Rangers	2,264	2,180	(84)
Non Distributed Costs	0	701	701
Net Cost of Services	6,951	7,410	459
(Gain) / Loss on Disposal of Fixed Assets	0	40	40
Investment Interest	(4)	(4)	0
Investment Properties	(69)	(34)	35
Pensions Interest & Return on Assets	442	418	(24)
Net Operating Expenditure	7,320	7,830	510
Non Specific & Capital Grants	(8,982)	(9,719)	(737)
Total Income & Expenditure	(1,662)	(1,889)	(227)
Asset Related Reversals	(576)	(767)	(191)
Other Accounting Reversals	(266)	55	321
Employers Pension Costs	1,767	1,758	(9)
Revenue Financing of Capital Spend	507	516	9
Pre Appropriations Outturn	(230)	(327)	(97)
Movement on Earmarked Reserves	(157)	(133)	24
Movement on General Reserves	387	460	73
Balanced Revenue Position	0	0	0

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 £246,000.

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 2020/21 Accounts

Core NPG for 2020/21 remained at the 2019/20 level of £5,590,000. The Authority set a balanced budget for 2020/21. Other non-grant income, including income from chargeable activities, is an important source of revenue, which the Authority actively seeks to grow.

In addition to our core NPG, the Authority received one-off additional NPG support of £1.365M from Defra during 2020/21 in direct response to the loss of commercial income suffered as a result of the pandemic, taking the total NPG for 2020/21 to £6,955,000

Our trading Visitor Services were severely affected by the pandemic with noticeable reduction in visitor numbers from January 2020. The impacts of the various degrees of lockdown and social distancing measures had an adverse effect on income streams and also increased costs. However by ensuring flexibility in approach our Visitor Services managed to exceed our revised budget targets in terms of net contribution despite the second and third national lockdowns. The Authority recognised the medium-term impact of the pandemic and undertook a significant restructuring exercise during 2020/21. This resulted in one-off termination costs of around £928,000. The new structure was successfully implemented through a phased approach and was completed by 31 March 2021, enabling the Authority to project balanced revenue budgets from 2021/22 to 2024/25. Accordingly our accounts report income and expenditure in accordance with the new structure.

The continued drive for greater efficiency and the agile approach to delivering income generating visitor services within the Authority meant that the final net revenue underspend against revised budget¹ was £97,000, 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 2020/21 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 2020/21, resulting in a net decrease in the external grants reserve balance and a final balance of £376,000. Further capital grant income was also received and applied to finance capital spending, including significant grants relating to the Low Carbon Lake District programme. Total capital grants recognised in-year were £2,765,000 with the unspent element being moved to Capital Grants and Contributions Unapplied, taking this reserve's balance to £406,000.

Overall Net Assets held by the Authority decreased from £11,826,000 in 2019/20 to £11,180,000 in 2020/21. This was a result of an increase in value of PPE following the completion of the Keswick to Threlkeld Multiuser Trail, which was offset by the Authority's share of the overall Cumbria County Council Pension Fund's net liabilities.

Total capital expenditure for 2020/21 was £5.09M, £4.14 million 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. The completion and opening of the trail in December 2020 was a significant achievement, despite the difficulties caused by the pandemic.

Revaluations of the Authority's Investment Properties along with the disposal of three small areas of land has resulted in the balance sheet carrying value decreasing from £6,388,000 in 2019/20 to £6,198,000 in 2020/21.

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

During 2020/21 the Low Carbon Lake District programme made significant progress with the Keswick to Threlkeld multi user trail opening in December 2020. In addition, further progress was made on 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. The remaining projects will fully complete in 2021/22.

Three property disposals took place in 2020/21 and some other properties were marketed during the year. The capital receipts obtained from asset sales completed in 2020/21 have been used, after costs, to part fund the capital programme.

The core capital programme achieved spending of £5,092,000 against a budget of £5,595,000 with no unfunded overspends and spending on a small number of items being deferred into the first quarter of 2021/22. In addition to the usual replacement of vehicles, boats and computing infrastructure, capital spending during 2020/21 also included £4,140,000 on the Keswick to Threlkeld project, £342,000 on electric vehicle charge points, £143,000 for the Brockhole solar array, £132,000 Brockhole boiler and £75,000 sewerage upgrade at Brockhole.

After financing its capital spend, the Authority held unapplied capital receipts of £204,000. 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 2021 showed a net liability of £21.9 million compared to a net liability of £18.4 million the previous financial year. This represents an increase in net liability of £3.5 million. In 2020/21 the Authority made a three year up-front deficit reduction contributions payment of £167,400. 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 £54,000. 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. 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 2020/21

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

Capital Project name	Capital Budget	Actual Outturn	Variance	
	£000	£000	£000	
IT Rolling Replacement Programme	23	26	3	Maintenance
Website	20	0	(20)	Development
Greenside mines	0	0	0	Maintenance
Car Park Re-surfacing	2	2	0	Maintenance
CBC New Boats	0	0	0	Maintenance
PM Plant & machinery	0	0	0	Maintenance
Brockhole Condition Survey Work	20	6	(14)	Maintenance
Brockhole equipment (onging)	15	15	0	Maintenance
CBC Development Phase 2	5	5	0	Development
Brockhole Electrical Upgrade	100	58	(42)	Maintenance
Brockhole Lakeshore	16	7	(9)	Development
Brockhole Sewerage System	75	75	0	Maintenance
CBC Sewerage Pump	19	19	0	Maintenance
LCL - Brockhole Boiler	152	132	(20)	Maintenance
LCL - Brockhole Solar Array	144	143	(1)	Maintenance
LCL - Driverless Pods	0	0	0	Maintenance
LCL - K2T Multi-user route	4,194	4,139	(55)	Maintenance
LCL - Project Management	293	0	(293)	Maintenance
Electric Charge Points (corporate)	353	342	(11)	Maintenance
TIC Development	0	0	0	Development
Stanley Ghyll Enhancements	164	81	(83)	Maintenance
Southern Windermere Trail	0	42	42	Maintenance
Total Capital Programme	5,595	5,092	(503)	

The Authority used the following capital resources to finance its 2020/21 capital spending.

Source of Funding	£000
Useable Capital Receipts	0
Capital Grants & Contributions	4,576
Direct Revenue Financing	341
Capital Support Fund	175
Total Capital Financing	5,092

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.

In early 2020/21 we paused our Investing for Our Future (IFOF) programme due to the impact of Covid-19 on our in-year and medium term budgets that provide the IFOF baseline. Work to improve our efficiency and effectiveness however continued as we worked to develop our visitor services to trade effectively in new operating environments and in our re-structuring the Authority to better meet the requirements of our new Organisational Strategy through the 'Securing Our

Future' programme. This has enabled the Authority to project balanced budgets across the Medium Term.

We are now developing a Commercial Strategy to reflect the new operating environment, which we will build into our budgets ahead of 2022/23. This Commercial Strategy will outline our plans to seize trading opportunities by continuing to grow income and make efficiencies. It will support the Authority to go beyond its balanced budgets, creating financial headroom that will allow the Authority to invest in the National Park and become even more financially resilient.

The Authority also has the opportunity to support the local farming community through the new Farming in Protected Landscapes initiative.

Our plans for the re-development of the Brockhole site continued during 2020/21 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 2020/21 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 reduction perspective.

Performance and Risk Management

Progress with delivering Business Plan actions; the management of key corporate risks and key risks to delivering the Business Plan; and service performance are monitored on a monthly basis by our Strategic Leadership Team and reported quarterly to Executive Board and Resources Committee.

We no longer include performance indicators in our Business Plan; instead, we have a much broader suite of key performance indicators which are monitored monthly at service level.

As a result of the Covid-19 pandemic, the delivery of our 2020-2023 Business Plan was suspended in early 2020. This was necessary as we furloughed significant numbers of our staff and all efforts were shifted to dealing with immediate health and safety concerns, statutory responsibilities and the significant short and medium term financial and non-financial implications of the pandemic. Our 2020/21 Service Plans and the monitoring of key performance indicators were also suspended.

A revised and abbreviated 2020/21 Interim Business Plan was approved by Authority in October 2020 and we returned to regular monitoring and reporting of performance and risk from quarter two onwards.

Each Head of Service would usually assess their service's performance and assign a RAG (red / amber / green) status by considering (i) Service Plan delivery and (ii) performance against their service's set of key performance indicators. In 2020/21, with formal Service Plans and the monitoring of key performance indicators largely remaining on hold, each Head of Service reported their assessment of service performance, based on their professional judgement of service delivery against organisational priorities.

From 2021/22, reporting on service performance will be further enhanced, with the commentary and RAG status for each service area to be based on (i) Service Plan delivery, (ii) performance against the service's set of key performance indicators, (iii) management of service level risks, and (iv) budgetary position.

Key points at the end of 2020/21:

Business Plan actions

- The 2020/21 Interim Business Plan set out 18 key actions to deliver our priorities for the Lake District; these priorities are detailed in our Organisational Strategy. Ten of these key actions (56 per cent) were reported to have a green / complete status as all of their in-year milestones had been reached as planned; the other eight actions were reported as red / not complete.
- There were a further 21 key actions which were taken by services to achieve their service objectives. Of these, 20 (95 per cent) were reported as green / complete as they had been delivered as planned; and the other action was red / not complete.
- For the majority of the key actions reported as red / not complete, this was due to disruption to delivery of work caused by the impacts of Covid-19 and the further national lockdowns, which were put in place after the 2020/21 Interim Business Plan had been finalised. In particular, a large number of staff were placed on furlough, impacting on service delivery in several areas. Most of these actions have been carried forward into our 2021-2024 Business Plan, with delivery of them substantially on track in the first quarter of 2021/22.

Business Plan and Corporate Risks

There were four key corporate risks and eight risks to delivering our Business Plan which were being monitored in the Risk Register at the year-end, with none of these at a critical or high level. Detailed information on our risk monitoring can be found on the Authority's website.

Service Performance

The table below shows the RAG status reported at the end of 2020/21 by each service area, as well as that at the end of the previous year. A narrative update on service performance at the end of 2020/21 was also reported to Resources Committee.

Overall, there was an improvement in service performance from the start of the year. This was helped by the return of staff from furlough, and the implementation of the 2020/21 Interim Business Plan, which had an overarching priority of Covid-19 Recovery for the Park.

Development Management was the only service to report a red status at the year-end. Demand for our services was largely undiminished during the year, however there were significant staff shortages, both Covid and non-Covid related, which meant that full service delivery could not be achieved.

Service	RAG Status	
	March 2020	March 2021
Commercial Services and Communications	Red	Green
Development Management	Red	Red
Park Management	Red	Amber
People and Organisational Development	Green	Green
Programmes and Resources	Red	Amber
Strategy and Partnerships	Green	Green

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 acknowledges that fact that modest borrowing may be necessary to support the financing of the capital programme in future years, 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 2021. During 2020/21, general debtor write-offs totalled £14,906.

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 2020/21 Code did not introduce any significant changes, which require a change to our accounting policies

The Accounting Statements

The accounting statements for the Authority for the period 1 April 2020 to 31 March 2021, 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 2020/21 are reflected in the Statement of Accounts. The policies were approved by Members of the Governance Committee on 21 April 2021.

- 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 (i.e. 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)

Date: 30 September 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 2020 to 31 March 2021.



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 2020/21. 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 publication by Kerry Powell CPFA, Director of Communications & Resources on 29 September 2021, which 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 2021 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 on financial statements

We have audited the financial statements of Lake District National Park Authority (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement and notes to the core 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Communications and Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Communications and Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Communications and Resources with respect to going concern are described in the 'Responsibilities of the Authority, Director of Communications and Resources and Those Charged with Governance for the financial statements' section of this report.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

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 as at 31 March 2021. As disclosed in Note 5 to the financial statements, leisure, tourism and associated retail sectors are subject to a 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. As at the valuation date, in the case of these assets valued for the 2020-21 accounts, 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.

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 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 the 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 in April 2020 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 '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 matters 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, 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 in the Statement of Responsibilities, set out on pages 15 and 16, 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 2020/21, 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. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Governance Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, Internal Audit and the Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and transactions outside the course of business.
- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Director of Communications and Resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus with an focus on material year transactions and those posted by manual users;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, defined benefit pensions liability valuations, depreciation and year-end accruals;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the local government sector;
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Lake District National Park Authority for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report;
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

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

30 September 2021

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Introduction and General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS)*.

Accruals of Income and Expenditure

Income and expenditure is accounted for in the year in which resources are consumed or when entitlement arises. The principles applied are as follows:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Authority is acting as an agent for another party income and expenditure are recognised only to the extent that commission is receivable by the Authority for the agency services provided or the Authority incurs expenses directly on its own behalf in providing the services.
- Government Grants are recorded as Income when they are received provided there is reasonable assurance that the conditions of receipt are complied with or at a later date should the conditions be met at that later date. 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 through the Movement in Reserves Statement. Where grants are received but conditions are not met, these are accrued forward to the following financial year.
- In relation to the Local Government Pension scheme the liability that the Authority has for meeting the future cost of retirement benefits arising from service provided by employees up to the Balance Sheet date net of the contributions paid into the fund and the investment income generated.
- Changes in fair values of Investment Properties are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- The Statutory basis of accounting for the Authority differs from that reported in the Comprehensive Income & Expenditure Account as required under IFRS. Details are provided on the following page:

The differences between the Statutory Basis of Accounting and the IFRS Accounting base are as follows:

Income or Expense	Basis of Statutory Charge to General Fund	Basis of Accounting Charge or Credit	Other Funds utilised to represent enhancement from Statutory Outturn to Accounting Outturn
Consumption or usage of Long-Term Assets	Contribution to the reduction in borrowing requirement in excess of minimum required.	Full accrual principle determined by Depreciation, Amortisation & Impairment	Capital Adjustment Account with small portion to Revaluation Reserve in relation to Current Cost Element of Depreciation
Grant receipts relating to Long Term Assets	None	All Grants received in year providing no conditions are attached and/or conditional grants from prior years that were applied in year.	Unapplied Capital Grants Reserve
Disposal Receipts or entitlements relating to Long Term Assets	None	Net Profit or Loss	Capital Receipts Reserve (deferred if cash not received) minus Capital Adjustment Account (or Revaluation Reserve) in relation to holding value of asset at time of sale.
Financing of new Capital Investment	Contributions made where otherwise not funded by Capital Receipts or designated Capital Grants	None	Capital Adjustment Account
Upward Valuation of Assets	None	Credited	Revaluation Reserve or, for Investment Properties or where reinstating past Impairment , Capital Adjustment Account
Pension Scheme Costs	Direct amounts paid in relation to the scheme	Full accrual principles including actuarial valuation	Pension Reserve
Staff Costs	Direct amounts paid	Accrual made for leave entitlement deferred forwards	Accumulated Absences Adjustment Account
'Revenue Expenditure Financed by Capital Under Statute' (financial support from the Authority in respect of an asset owned by a third party)	None	Full accrual principles	Capital Adjustment Account

Minimum Statutory Provision for Capital Debt Repayment	Charge as required under statute	None	Capital Adjustment Account
--	----------------------------------	------	----------------------------

Cash and Cash Equivalents

Cash is defined as 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.

Reserves

The Authority's Reserves represent the accumulation of surpluses (and deficits) upon the Comprehensive Income & Expenditure account overall years up to and including the Balance Sheet Date. It also equals the Total Value of the Authority's assets less its' liabilities.

Reserves are classified into Useable (when currently available for application) and Un-useable (when there is no current liquidity).

The Notes to the Accounts upon the Reserves explains fully the purpose of each Reserve and the uses to which they are applied.

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.

Employee 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.

Employee 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.

Employee 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, this is shown within the Authority's accounts according to the details set out in the notes 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. Full details of the LGPS fund are available from its website.

Employee 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.

ACCOUNTING POLICIES RELATING TO ASSETS AND LIABILITIES

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

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 through the Movement in Reserves Statement.

LONG TERM ASSET POLICIES

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 are defined as those held solely to earn rentals or for capital appreciation or both. 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 revalued annually according to market conditions at year end.

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 an appropriate measurement bases as declared in Note19.

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.

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. This is charged to the revaluation reserve up to the value held for the asset in this reserve. Any further loss is charged to the Comprehensive Income & Expenditure Statement.

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 using the relevant life year schedule as declared at Note 19.

Non-Current Assets Held For Sale

Non-current assets held for sale are defined as assets that 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.

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.

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

2019/20 Restated				2020/21		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
795	(19)	776	Executive Board & Legal	725	(31)	694
			<i>Communications and Resources Directorate</i>			
2,527	(404)	2,123	Programme & Resources	2,418	(453)	1,965
3,717	(4,165)	(448)	Visitor Services	3,792	(3,363)	429
596	(41)	555	People and Organisational Development	508	(43)	465
901	(236)	665	Communications & Customer Engagement	626	(124)	502
			<i>Sustainable Development Directorate</i>			
1,066	(787)	279	Development Management	1,087	(613)	474
3,608	(785)	2,823	Strategy & Rangers	3,069	(889)	2,180
119	0	119	Non Distributed Costs	701	0	701
13,329	(6,437)	6,892	Cost of Services	12,926	(5,516)	7,410
133	(106)	27	Other Operating Expenditure	5	35	40
1,774	(4,484)	(2,710)	Financing & Investment Income & Exp	1,641	(1,261)	380
0	(11,391)	(11,391)	Non-specific grant income	0	(9,719)	(9,719)
15,236	(22,418)	(7,182)	(Surplus) or Deficit on Provision of Services	14,572	(16,461)	(1,889)
		(2,565)	(Surplus) or deficit on revaluation of non-current assets			65
		(1,802)	Remeasurements of the defined benefit liability			2,471
		(4,367)	Other Comprehensive (Income) & Expenditure			2,536
		(11,549)	Total Comprehensive (Income) & Expenditure			647

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
Balance at 31 March 2020 (Restated)		2,266	43	2,217	4,526	7,300	11,826
Movement in reserves during 2019/20							
Total Comprehensive Income & Expenditure		1,889	0	0	1,889	(2,536)	(647)
Adjustments between accounting basis & funding basis under regulations	9	(1,563)	161	(1,811)	(3,213)	3,213	0
Increase / (Decrease) in 2020/21		326	161	(1,811)	(1,324)	677	(647)
Balance at 31 March 2021 carried forward		2,592	204	406	3,202	7,977	11,179

Restated comparative data for 2019/20 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
Balance at 31 March 2019		3,046	316	18	3,380	(3,103)	277
Movement in reserves during 2019/20							
Total Comprehensive Income & Expenditure		7,182	0	0	7,182	4,367	11,549
Adjustments between accounting basis & funding basis under regulations	9	(7,961)	(273)	2,200	(6,034)	6,034	0
Increase / (Decrease) in 2019/20		(779)	(273)	2,200	1,148	10,401	11,549
Balance at 31 March 2020 carried forward		2,266	43	2,217	4,526	7,300	11,826

BALANCE SHEET AS AT 31 MARCH 2021

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 2021 and its income and expenditure for the year then ended.

1 April 2019 Restated £000	31 March 2020 Restated £000		Note	31 March 2021	
				£000	£000
12,406	19,445	Property, Plant & Equipment	18	23,746	
8	8	Heritage Assets		8	
3,233	6,388	Investment Property	21	6,198	
37	27	Intangible Assets		17	
75	0	Long Term Investments		0	
13	0	Long Term Debtors		0	
15,772	25,868	Long Term Assets			29,969
2,724	3,518	Cash & cash equivalents	26	3,171	
166	183	Inventories & Work in Progress		188	
1,331	2,062	Short Term Debtors	27	1,535	
0	0	Short Term Investments		93	
195	15	Assets Held for Sale		14	
4,416	5,778	Current Assets			5,001
(1,236)	(1,391)	Short Term Creditors	28	(1,913)	
(20)	(20)	Provisions		(20)	
(1,256)	(1,411)	Current Liabilities			(1,933)
(18,655)	(18,409)	Liability related to defined benefit pension scheme	15	(21,857)	
(18,655)	(18,409)	Long Term Liabilities			(21,857)
277	11,826	Net Assets			11,180
		Usable Reserves			
316	43	Capital Receipts Reserve	30		204
18	2,217	Capital Grants Unapplied Reserves	30		406
2,276	1,653	Earmarked Reserves	30		1,519
770	613	General Reserve	30		1,073
		Unusable Reserves			
2,126	4,370	Revaluation Reserve	9		4,213
13,785	21,546	Capital Adjustment Account	9		25,803
(161)	(228)	Accumulated Absences Account			(181)
30	0	Financial Instruments			0
		Restatement Reserve			0
13	0	Deferred Capital Receipts			0
(18,896)	(18,388)	Pension Reserve	15		(21,857)
277	11,826	Total Reserves			11,180

CASH FLOW STATEMENT

2019/20 Restated		2020/21	
£'000	£'000	£'000	£'000
	7,182		1,889
			Net surplus/(deficit) on provision of services
			1,889
			795
			Net increase/(decrease) in cash and cash equivalents
			(348)
			2,724
			Cash and Cash equivalents at the beginning of the reporting period
			3,518
			3,518
			Cash and Cash equivalents at the end of the reporting period

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 (i.e. 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.

2020/21	As Reported for Resource Management	Adjustment to arrive at the net amount charged to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between Funding & Accounting basis Capital	Adjustments between Funding & Accounting basis Other	Net Exp in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s
Executive Board & Legal	694	(101)	593	0	101	694
Programmes & Resources	1,976	(446)	1,530	176	258	1,965
Visitor Services	42	(408)	(366)	444	351	429
People & Organisation Development	465	(101)	364	0	101	465
Communications & Customer Engagement	502	(75)	427	0	75	502
Development Management	474	(206)	268	0	206	474
Strategy & Rangers	2,180	(559)	1,621	81	478	2,180
Non distributed costs	701	0	701	0	0	701
Net Cost of Services	7,034	(1,895)	5,139	702	1,570	7,410
Other Income & Expenditure	(8,923)	3,460	(5,463)	(3,217)	(619)	(9,299)
(Surplus)/Deficit on General Fund Balance in Year	(1,889)	1,564	(325)	(2,515)	951	(1,889)
Opening General Fund Balance			2,266			
Plus Surplus on General Fund Balance in Year			325			
Closing General Fund Balance			2,591			

2019/20 Restated

	As Reported for Resource Management	Adjustment to arrive at the net amount charged to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between Funding & Accounting basis Capital	Adjustments between Funding & Accounting basis Other	Net Exp in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s
Executive Board & Legal	776	(54)	722	0	54	776
Programmes & Resources	2,186	(397)	1,789	201	133	2,123
Visitor Services	260	(544)	(284)	(343)	179	(448)
People & Organisation Development	557	(41)	516	0	39	555
Communications & Customer Engagement	663	(45)	618	0	47	665
Development Management	279	(87)	192	0	87	279
Strategy & Rangers	2,844	(309)	2,535	24	264	2,823
Non distributed costs	0	0	0	0	119	119
Net Cost of Services	7,565	(1,477)	6,088	(118)	922	6,892
Other Income & Expenditure	(14,761)	9,453	(5,308)	(9,234)	469	(14,074)
Surplus/(Deficit) on General Fund Balance in Year	(7,196)	7,976	780	(9,352)	1,391	(7,182)
Opening General Fund Balance			(3,046)			
Plus Surplus on General Fund Balance in Year			780			
Closing General Fund Balance			(2,266)			

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 2021/22 edition of the Code includes the following relevant changes due to accounting standards and interpretations, which have been issued but not yet adopted:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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 was deferred to 1 April 2021 and has subsequently been further deferred to 1 April 2022
 - 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.

The financial impact of these changes is not reasonably estimatable.

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 – there are still uncertainties around the medium-term impact of the UK's departure from the European Union on the economy. However, following the completion of the organisational restructure, the Authority has determined that there is unlikely to be a need to reduce service levels in the near future.
- 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.
- Covid-19 has resulted in future uncertainty in terms of retail trading performance, the valuation of pensions primarily due to direct and indirect property investments and for some of our property valuations. Some of the property used in our Visitor Services operations have been classed as 'material valuation uncertain' in accordance with VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The values of the properties concerned is £1,983,000.

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 £1,465,000.
- 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 continued 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 widespread impairment of asset values as a direct result of the pandemic is required, although a small number of assets have been revalued downward.
- The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified below.
- In respect of the leisure, tourism and associated retail sectors, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuations of a small

number of properties 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, in respect of these valuations 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 this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.'

- With the exception of specialised assets, the Authority uses an income approach or a market approach to measure the current value of its operational land and buildings. Where there is no market-based evidence of current value because of the specialised nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. The significant unobservable inputs used in the current value measurement of operational land and buildings using the income approach include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used, properties are valued with reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances. Significant unobservable inputs used in the current value measurement of property using the Cost (DRC) income approach include assumptions relating to location, physical deterioration and all relevant forms of obsolescence and optimisation. Significant changes in any of the unobservable inputs would result in a significantly higher or lower current value measurement of operational land and buildings.

6. Impact of Changes to the Code of Practice

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures D.1.3
- Annual Improvements to IFRS Standards 2015-2017 Cycle. The amendments affect:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation
 - IAS 12 Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
 - IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Amendments to References to the Conceptual Framework in IFRS Standards

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

7. Material Items of Income and Expense

Overall Net Assets held by the Authority decreased from £11,826,000 in 2019/20 to £11,180,000 in 2020/21. This has been the result of a substantial capital programme in 2020/21 offset by an increase in pension liabilities.

Total capital expenditure for 2020/21 was £5.09M, £4.14M 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.

Additional income was received during 2020/21 in response to the Covid pandemic in the form of additional DEFRA funding of £1.365M and Furlough Grant of £1,060M.

8. Expenditure and Income Analysed by Nature

2019/20 General Fund £000s	Restate 2019/20 Other Reserve £000s	2019/20 Total £000s		2020/21 General Fund £000s	2020/21 Other Reserves £000s	2020/21 Total £000s
Expenditure						
7,271	923	8,194	Employee benefits expenses	8,250	554	8,804
4,682	490	5,172	Other service expenses	3,937	(516)	3,421
(3)	(35)	(38)	Depreciation, amortisation and revaluation	(0)	702	702
(26)	52	27	Loss on disposal of non current assets	5	35	40
0	438	438	Interest payments	0	418	418
11,924	1,868	13,793		12,193	1,193	13,385
Income						
(6,436)	0	(6,436)	Fees, charges and other service income	(5,516)	0	(5,516)
(4,610)	(6,780)	(11,391)	Government grants and contributions	(6,955)	(2,765)	(9,719)
0	0	0	Gain on disposal of investment properties	1	0	1
(44)	(3,080)	(3,124)	Investment Property Income	(64)	29	(36)
(54)	30	(24)	Interest & investment income	(4)	0	(4)
(11,145)	(9,830)	(20,975)		(12,538)	(2,736)	(15,274)
779	(7,962)	(7,182)	(Surplus) / Deficit on Provision of Services	(345)	(1,543)	(1,888)
5,514	1,378	6,892	Cost of services	6,672	740	7,411

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 capital reserves that the adjustments are made against:

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.

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.

Revaluation Reserve - records 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.

Deferred Capital Receipts Reserve – Same principles as Capital Receipts Reserve but reflects circumstances where the timing between Asset Sale and Cash Receipt is offset.

Adjustments between the Funding and Accounting Basis for Capital Purposes are allocated to Income & Expenditure reporting segments are explained in detail as set out below:

2020/21	Capital Receipts	Capital Grants	Capital Adjustment	Revaluation	Deferred Capital	CAPITAL
Movements in the year	Reserve	Unapplied Reserve	Account	Reserve	Receipts Reserve	OUTTURN
	£000	£000	£000	£000	£000	FOR THE TEAR
						£000
Capital Grant Receipts		1,811	(4,576)			(2,765)
Capital expenditure charged against the General Fund			(516)			(516)
Profit or Loss on Asset Sale	(161)		196		0	35
Depreciation & Amortisation			534	93		627
Impairment			75			75
Market Value - Investment Properties			29			29
Total Capital Adjustment between Accounting and Funding base	(161)	1,811	(4,258)	93	0	(2,515)
Other C&I - Revaluation				65		65
Total reserves movement - Capital	(161)	1,811	(4,258)	158	0	(2,450)

2019/20 Restated	Capital Receipts	Capital Grants	Capital Adjustment	Revaluation	Deferred Capital	Capital Outturn
Movements in the year	Reserve	Unapplied Reserve	Account	Reserve	Receipts Reserve	2019/20 Restated
	£000	£000	£000	£000	£000	£000
Transfers between Reserves	400		(580)	180		0
Capital Grant Receipts		(2,200)	(3,600)			(5,800)
Capital expenditure charged against the General Fund			(490)			(490)
Profit or Loss on Asset Sale	(127)		167		13	52
Depreciation & Amortisation			573			573
Impairment			(607)			(607)
Market Value - Investment Properties			(3,080)			(3,080)
Total Capital Adjustment between Accounting and Funding base	273	(2,200)	(7,618)	180	13	(9,352)
Other C&I - Revaluation				(2,565)		(2,551)
Total reserves movement - Capital	273	(2,200)	(7,618)	(2,385)	13	(11,903)

Please refer to the Balance Sheet for opening & closing Balances upon each Reserve.

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

2019/20 Restated	Adjustment between accounting base and funding base	2020/21
£000	£000	£000
	(9,352) Total capital adjustments between accounting base and funding base	(2,515)
	Pension Reserve items:	
1,728	Current Service Cost	1,597
119	Curtailment Cost	814
41	Administrative Expenses	41
0	Advance payments	(113)
<u>(1,032)</u>	Reversal of Employers Contributions	<u>(1,759)</u>
856	Total items to net cost of services	580
438	Interest cost minus return on plan assets to financing income & expenditure	418
	1,294 Total pension reserve items	998
	97 Other items	(47)
	(7,961) Total adjustments between accounting base and funding base	(1,564)
	7,182 Surplus upon provision of services	1,889
	779 General fund outturn under statute (including Earmarked Items)	(325)

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.

Other Items as reflected in the Table above shows movements upon the Accumulated Absences Reserve and Financial Instruments Reserve. These are immaterial in nature.

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.

	Salary including Allowances	Expense Allowances	Total Compensation for Loss of Office	Employers Pension Contributions	Total Remuneration Including Pensions Contributions
	£	£	£	£	£
2020/21					
Chief Executive	100,578	0	0	17,501	118,079
Director of Sustainable Development	71,867	0	0	12,505	84,372
Director of Communications & Resources	71,867	0	0	12,505	84,372
	244,312	0	0	42,511	286,823
2019/20					
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
	238,024	0	0	31,992	270,016

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

No. of Employees 2019/20	Remuneration Band	No. of Employees 2020/21
2	£50,000 - £54,999	4
2	£55,000 - £59,999	1
1	£60,000 - £64,999	2
0	£65,000 - £69,999	1

An organisation restructure was undertaken during 2020/21 and the table below discloses the resulting exit packages paid in 2020/21.

Remuneration Band	No of Employees		£000's	
	Compulsory	Other	Compulsory	Other
£0 - £19,999	5	5	13,966	35,071
£20,000 - £39,999		2		68,411
£40,000 - £59,999		5		258,791
£60,000 - £79,999		2		141,470
£80,000 - £99,999		0		0
£100,000 - £149,999		2		246,155
£150,000 - £199,999		1		192,375
	5	17	13,966	942,273

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 2020/21 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		
	£	£	£	£	
Appointed by Cumbria County Council					
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	923	3,923
Appointed by South Lakeland District Council					
Hughes	V	3,000	0	0	3,000
Wharton	I	3,000	0	588	3,588
Appointed by Allerdale Borough Council					
Cockburn	N	3,000	0	0	3,000
Appointed by Eden District Council					
Derbyshire	J	3,000	0	93	3,093
Appointed by Copeland Borough Council					
Branney	H	3,000	0	529	3,529
Appointed by the Secretary of State					
Allen	J	(a) 3,000	6,000	974	9,974
Kidd	M	3,000	0	125	3,125
Carter	M	3,000	0	233	3,233
Davies	G	3,000	0	178	3,178
Hunt (MBE)	T	3,000	0	0	3,000
Jackson	J	3,000	0	0	3,000
Jackson	K	3,000	0	0	3,000
McKinley	M	(a) 3,000	6,000	895	9,895
Mosner	S	3,000	0	109	3,109
Waterhouse	L	3,000	0	109	3,109
Appointed by the Lake District National Park Authority					
Southorn	A	150	0	0	150
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	£6,000 (Deputy Chairman)

- (b) No members left the Authority during 2020/21.
- (c) No members joined the Authority during 2020/21

Comparative figures for 2019/20 are shown below:

2019/20 £000		2020/21 £000
70	Allowances	72
17	Expenses	5
<u>87</u>		<u>77</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 2020/21 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 2020/21 are detailed in note 11 to the Financial Statements. Four 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 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 Cumbria's carbon footprint.

Related Party	Business Rates £000	Other Payments £000	Income £000	Support Grants £000	Owed To £000	Owed From £000
Allerdale Borough Council	17	3	2	21	0	1
Copeland Borough Council	8	1	2	0	0	1
Cumbria County Council	0	18	97	0	445	96
Eden District Council	28	1	0	0	0	0
South Lakeland District Council	290	27	44	102	0	24
Cumbria Amenity Trust Mining H	0	1	0	0	0	0
Battersby Hall Charity	0	13	0	0	0	0
Friends of the Lake District	0	0	4	0	0	0
Total	343	64	149	123	445	122

Comparative figures for 2019/20 are shown below:

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
Total	411	564	113	38	348

- Officers** - 47 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 2020/21. 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. The Director of Sustainable Development is a trustee of World Heritage UK. Details of the Authority's transactions with these organisations in 2020/21 are listed in the table below. A small number of other non-material declarations were made by other Officers.

Related Party	Payments £0	Income £0	Payment details include
Lake District Foundation	23	0	£20k core funding and £3k donation transfer
		161	£50k K2T grant, £26k Fix the Fells, £28k other grants, £5k rent, £1k IT support
Cumbria Tourism	28	0	£20k partnership contribution, £4k report, £4k advert/other
Great Place	5	0	Subscription
Cumbria's Living Heritage	1		Subscription
World Heritage	1		Subscription

Comparative figures for 2019/20 are shown below:

Related Party	Payments £000	Income £000	Payment details include
Lake District Foundation (formerly Nurture Lakeland)	28	151	£20k contribution to core funding, £8k campaign support, £114K Fix the Fells £27k grant, £9K Rent/IT support
Cumbria Tourism	30	0	£12k partnership contribution, £9k adverts, £9k for other services
Great Places	5	1	
Cumbria's Living Heritage	3	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 15 to the Financial Statements.

13. Financing and Investment Income and Expenditure

2019/20			2020/21		
Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000
1,616	(1,178)	438	1,598	(1,180)	418
0	(24)	(24)	0	(4)	(4)
158	(3,282)	(3,124)	43	(78)	(35)
1,774	(4,484)	(2,710)	1,641	(1,262)	379
Total					

14. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2019/20	2020/21
	£000	£000
Specific Grant Income		
Heritage Lottery	182	40
Lake District Foundation	153	46
Arts Council	150	0
Historic England Total	67	15
Rural Payments Agency	51	0
HMRC	29	0
HMRC – Furlough Grant	0	1,060
European Structural and Investment Fund	28	0
South Lakeland District Council	18	102
Natural England	17	0
Allerdale Borough Council	13	33
Craven District Council	12	0
Without Walls	11	0
DEFRA	10	0
Friends of the Lake District	7	0
Cumbria County Council Total	46	88
ESIF	0	33
Other Grants & Contributions less than £10,000	61	41
	855	1,459

	2019/20	2020/21
	£000	£000
Non Specific Grant Income		
National Park Grant	5,590	6,955
Capital Grants & Contributions		
ESIF	1,915	2,589
Highways England	3,664	0
Local Enterprise Partnership	216	45
Lake District Foundation	0	101
Rural Payments Agency	0	29
Other	6	0
	11,391	9,719

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

	2019/20 £000	2020/21 £000
Grant Receipts in Advance		
Highways England: K2T	0	20
European Structural and Infrastructure Funds: K2T / LCLD	0	445
	0	465

15. 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.

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.

The following tables outline transactions affecting the Authority's share of the pension fund's liabilities and assets during the year:

2019/20 £000	Gross Liabilities	2020/21 £000
(68,042)	Opening balance as at 1 April	(67,312)
(1,616)	Interest cost	(1,598)
2,790	Actuarial (losses) / gains	(10,909)
(1,847)	Current service cost, past cost, curtailments	(2,411)
(343)	Contributions from scheme participants	(347)
1,680	Benefits paid	1,808
66	Estimated unfunded benefits paid	67
(67,312)	Closing balance at 31st March	(80,702)

2019/20	2020/21
£000	£000
49,125 Opening balance as at 1 April	48,903
1,178 Interest on plan assets (exc admin)	1,180
(988) Actuarial (losses) / gains	8,438
(41) Pre-paid contributions by Employer and administration expenses	93
966 In-year contributions by Employer	1,692
66 In-year contributions for unfunded (Discretionary benefits)	67
343 Contributions by employees into the scheme	347
(1,680) Benefits paid	(1,808)
(66) Unfunded (discretionary benefits)	(67)
48,903 Closing balance at 31st March	58,845

2019/20	2020/21
£000	£000
1,032 General Fund Charge - Employer Contributions	1,759
696 Current Services Cost Adjustment	-162
41 Administrative Expenses	41
1,769 Current Service Cost & Administrative Expenses	1,638
0 Advance Payments	(113)
119 Curtailment & Past Service Costs	814
438 Interest cost less return on plan assets to financing income & expenditure	418
2,326 Charge to Surplus/(Deficit) upon Provision of Services	2,757
(1,802) Actuarial Gains/Losses to other income & expenditure	2,471
524 Charge to Comprehensive Income & Expenditure Account for the year	5,228
(1,032) Less General Fund Charge - Employer Contributions	(1,759)
(508) Movement in Pensions Reserve Balance for the year	3,469
(18,896) Pension Reserve Balance at 1 April	(18,388)
508 Movements Charged to Comprehensive Income & Expenditure In Year	(3,469)
(18,388) Pension Reserve Balance at 31 March	(21,857)

16. 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 2021 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 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 11 years in order to meet the shortfall.

- 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 29% 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 initially reduced some fund asset values, but assets are returning to pre-Covid levels. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material

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	
		2019/20 £000	2020/21 £000
Cash and cash equivalents:			
Cash accounts	Y	1,858	2,001
Net current assets	N	49	59
Equities:			
UK quoted	Y	4,891	0
Global quoted	Y	9,781	0
UK equity pooled	Y	0	5,413
Global equity pooled	Y	0	17,183
Overseas equity pooled	N	3,423	0
Bonds:			
UK corporate bonds	Y	0	0
UK Government indexed pooled	N	11,248	10,180
Property:			
UK	N	2,885	3,413
Property Funds	N	1,369	1,530
Alternatives:			
Healthcare Royalties	N	342	588
Private Equity Funds	N	1,809	3,119
Multi Asset Credit	N	5,868	8,827
Infrastructure Funds	N	3,619	4,178
Real Estate Debt Funds	N	196	59
Private Debt Fund	N	1,565	2,295
Total assets		48,903	58,845

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	
		2019/20	2020/21
Mortality assumptions			
Longevity at 65 for current pensioners			
Men		22.6	22.7
Women		25.2	25.3
Longevity at 65 for future pensioners			
Men		24.2	24.3
Women		27.1	27.2
Rate of inflation		2.10%	2.70%
Rate of increase in salaries		3.60%	4.20%
Rate of increase in pensions		2.20%	2.80%
Rate for discounting scheme liabilities		2.40%	2.10%

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)	2,414
Rate of inflation (increase by 0.1% per annum)	1,492
Rate of increase in salaries (increase of 0.1% per annum)	172
Rate for investment returns (increase/decrease 1% per annum)	591/(591)
Rate for discounting scheme liabilities (increase by 0.1% per annum)	(1,465)

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 a 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 £797,000 to the scheme in 2021/22. This excludes the deficit recovery payment of £55,800 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 £54,000 over the three years.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2020/21 (18 years 2019/20). The very mature duration profile has been used to determine these assumptions.

17. Disclosure of External Audit Costs

In 2020/21 the Authority incurred the following fees relating to external audit and inspection:

	2019/20 £	2020/21 £
Fees payable for external audit services carried out by the appointed auditor	11,595	11,595
Additional fees for prior year audit	6,000	28,405
Additional fees for 2019/20	3,750	
Total Audit Costs	21,345	40,000

Additional fees in relation to the 2019/20 audit are split over two financial years, with £3,750 paid in 2019/20 in advance.

18. Balance Sheet - Property, Plant and Equipment

The table below sets out the transactions relating to Property, Plant and Equipment in 2020/21.

	OPERATIONAL					NON OPERATIONAL		Total £000
	Land & Buildings	Vehicles & Plant	Equip't	Infra-structure	Comm'ty Assets	Assets under Construc'n	Surplus assets	
	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuation								
Valuation as at 1 April 2020	14,301	2,423	696	137	103	3,669	0	21,329
Less previous Impairment	(138)	(13)	0	0	0	0	0	(151)
Additions	108	6	41	4,551	52	333	0	5,091
Revaluation increases/(decreases) recognised in Revaluation Reserve	(277)	0	0	0	0	0	0	(277)
Revaluation increases/(decreases) recognised in Surplus /Deficit on Provision of Services	(143)	0	0	0	0	0	0	(143)
Derecognition - disposals	0	(48)	(19)	0	0	0	0	(67)
Reclassification	0	0	0	3,669	0	(3,669)	0	0
Valuation as at 31 March 2021	13,851	2,368	718	8,357	155	333	0	25,782
Depreciation								
Accumulated Dep'n at 1 April 2020	(341)	(1,039)	(326)	(27)	0	0	0	(1,733)
Depreciation Charge to I&E 20/21	(296)	(200)	(116)	(5)	0	0	0	(617)
Depreciation on Disposals	0	13	19	0	0	0	0	32
Depreciation written out to Revaluation Reserve	212	0	0	0	0	0	0	212
Depreciation written out to Surplus / Deficit on Provision of Services	68	0	0	0	0	0	0	68
Reclassification	0	0	0	0	0	0	0	0
Accumulated Dep'n at 31 March 2021	(357)	(1,226)	(423)	(32)	0	0	0	(2,038)
Net Book Value at 31 March 2021	13,494	1,142	295	8,325	155	333	0	23,744
Net Book Value at 31 March 2020	13,825	1,369	371	110	103	3,669	0	19,445
Nature of Asset holding								
Owned	13,494	1,142	295	8,325	155	333	0	23,744
	13,494	1,142	295	8,325	155	333	0	23,744

As part of the closure of the 2020/21 accounts, significant Prior Period Adjustment was made in relation to property revaluations conducted in the 2019/20 and earlier years. Further details on this adjustment are given in Note 31. The restated note for 2019/20 is set out below.

The comparative movements in 2019/20 are shown below:

Restated	OPERATIONAL					NON OPERATIONAL		Total £000
	Land & Buildings	Vehicles & Plant	Equip't	Infra-structure	Comm'ty Assets	Assets under Construc'n	Surplus assets	
	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuation								
Valuation as at 1 April 2019	11,028	2,036	521	322	103	213	0	14,223
Less Previous Impairment	(138)	(13)	0	0	0	0	0	(151)
Additions	433	391	183	7	0	3,477	0	4,491
Revaluation increases/(decreases) recognised in Revaluation Reserve	2,078	0	0	0	0	0	0	2,078
Revaluation increases/(decreases) recognised in Surplus /Deficit on Provision of Services	671	0	0	0	0	0	0	671
Derecognition - disposals	(25)	(99)	(7)	0	0	0	0	(131)
Reclassification	116	95	(1)	(192)	0	(21)	0	(3)
Valuation as at 31 March 2020	14,163	2,410	696	137	103	3,669	0	21,178
Depreciation								
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	(5)
Accumulated Dep'n at 31 March 2020	(341)	(1,039)	(326)	(27)	0	0	0	(1,733)
Net Book Value at 31 March 2020	13,822	1,371	370	110	103	3,669	0	19,445
Net Book Value at 31 March 2019	10,377	1,138	276	299	103	213	0	12,406
Nature of Asset holding								
Owned	13,822	1,371	370	110	103	3,669	0	19,445
	13,822	1,371	370	110	103	3,669	0	19,445

At 31 March 2021, 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	31 March 2020 Approx Value £000	31 March 2021 Approx Value £000	Period
Brockhole Sewerage System	75		2020/21
Keswick to Threlkeld Multi-user Route	4,134		2020/21
Brockhole Boiler		24	2021/22
Brockhole Solar Array		6	2021/22
Brockhole Power Upgrade		94	2021/22
Keswick to Threlkeld Multi-user Route		96	2021/22
Electric Vehicle Chargers		61	2021/22
Stanley Ghyll		146	2021/22
	4,209	427	

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 2020/21 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:

- Depots were valued as at 31 March 2018
- All car parks were revalued at March 2019
- All toilets were revalued at 31 March 2020
- All information centres were revalued at 31 March 2021
- Our valuers also provided a report confirming that there were no other changes in market conditions during 2020/21 that would give rise to a material change in the valuations reported at 31 March 2021 except where specified.

The values of all operational assets other than land and buildings were reconsidered by managers within the Authority at 31 March 2021. 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

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:

Component	Useful Life (Years)
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:

Asset Type	Useful Life (Years)
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: -

Number Held 2019/20	Type of Asset	Number Held 2020/21
89	Land and Buildings	90
142	Vehicles, Boats & Other Plant	141
53	Computer and General Office Equipment	55
34	Community Assets (land holdings)	34
<u>318</u>		<u>320</u>

20. Capital Expenditure

Capital Expenditure and its financing, including schemes under construction were as follows:

		2019/20 £000	2020/21 £000
Land and Buildings			
	Brockhole Improvements	74	140
	Toilets	4	0
	Car Parks	7	2
	Coniston Boating Centre	14	24
		<u>99</u>	<u>166</u>
Infrastructure & Community			
	Multi-User Trails	3,477	4180
	Electric Charging Points	22	342
	Stanley Ghyll Enhancements	0	81
		<u>3,499</u>	<u>4,603</u>
Vehicles and Plant			
	Boats	136	7
	Brockhole Plant	569	275
	Murley Moss Plant	5	0
		<u>710</u>	<u>282</u>
Fixtures			
	World Heritage	49	0
		<u>49</u>	<u>0</u>
Equipment			
	Computer Equipment	96	41
	Brockhole Equipment	13	0
	Coniston Boating Centre Equipment	25	0
		<u>134</u>	<u>41</u>
Total Capital Expenditure to be Financed		<u>4,491</u>	<u>5,092</u>
Financing used			
	Useable Capital Receipts	400	0
	Capital Grants & Contributions	3601	4576
	Capital Support Fund	31	175
	Direct Revenue Financing	459	341
		<u>4,491</u>	<u>5,092</u>
Total Financing		<u>4,491</u>	<u>5,092</u>
Remaining Capital Financing Requirement		<u>0</u>	<u>0</u>

21. Investment Property

2019/20 £000s	2020/21 £000s
3,233 Opening Balance of Investment Property	6,388
(105) Disposals	(161)
3,080 Net gains or (losses) from fair value adjustments	(30)
180 Reclassification as Held for Sale	0
<u>6,388</u> Closing Balance of Investment Property	<u>6,197</u>

The Authority's investment property assets were revalued as at 31 March 2021 as detailed in note 19.

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 2020			Fair value as at 31 March 2021		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Commercial Properties	722	0	722	643	0	643
Woodlands	4,395	0	4,395	4,235	0	4,235
Farms	1,151	0	1,151	1,200	0	1,200
Hostels / Residential	0	120	120	0	120	120
Total	<u>6,268</u>	<u>120</u>	<u>6,388</u>	<u>6,078</u>	<u>120</u>	<u>6,198</u>

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 2020/21. 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:

2019/20 £000	2020/21 £000
65 Opening Balance	120
55 Total gains for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0
0 Disposals	0
120 Closing Balance	120

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:

2019/20 £000	2020/21 £000
(83) Rental income from investment property	(77)
8 Other income from investment property	0
3 Direct operating expenses from investment property that generated rental income during the period	4
28 Direct operating expenses from investment property that did not generate rental income during the period	8
(44) Net Income from investment property	(65)

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 2020/21 was £27,900 (2019/20 £22,900). It also uses land and buildings financed under the terms of operating leases. The amount paid under these arrangements in 2020/21 was £185,100 (2019/20 £186,500). Of this expenditure £83,300 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 2020 £000	31 March 2021 £000
Not later than one year	101	125
Later than one year and not later than five years	206	241
Later than five years	266	447
Total	573	813

Lessor Operating Leases

The Authority has granted use of a number of its properties under operating leases. The income gained under these arrangements in 2020/21 was £298,000 (2019/20 £336,600). 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	9,145	15
Investment properties	2,293	0
Total	11,438	15

The comparative 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	0
Total	10,567	40

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

	31 March 2020 £000	31 March 2021 £000
Not later than one year	127	143
Later than one year and not later than five years	166	235
Later than five years	220	257
Total	513	635

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 2020/21 £106,500 worth of contingent rents were receivable by the Authority (2019/20 £117,800).

23. 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 is one site where a review is still in progress. On this site Natural England has issued a Notice under the Environmental Damage (Prevention and Remediation) (England) Regulations 2015 (EDR) which is currently progressing through the Planning Inspectorate and the review will not be completed until the EDR process is complete. 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.

24. 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 2021

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

	31 March 2020		31 March 2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities - short term creditors				
Financial liabilities carried at contract amount	1,240	1,240	1,145	1,145
Total included in Creditors	1,240	1,240	1,145	1,145
Financial assets - long term assets				
Equity instruments - FVOCI	0	0	0	0
Total included in Long Term Assets	0	0	0	0
Financial assets - short term debtors and Amortised cost	5,187	5,187	4,464	4,464
Total included in Current Assets	5,187	5,187	4,464	4,464

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 2020/21 was £3,364,413 (2019/20 £5,412,000)..

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, £80,738 of the £300,945 customer balances at 31 March 2021 was past due. The past due element can be analysed as follows:

31 March 2020 £000	Days Past Due	31 March 2021 £000
14	31 – 60 days	12
0	61 – 90 days	17
0	91 – 120 days	2
6	Over 120 days	50
<u>20</u>	Total	<u>81</u>

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 2021 shows that an allowance for credit losses of £13k is adequate to cover any anticipated credit risk for 2020/21. Debts of £14,906 were written off in 2020/21 (2019/20 £628).

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 2021 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 2020/21 the Authority received £3,649 in interest income (£24,300 in 2019/20). Had interest rates been 1% higher during the period, the income received would have been £27,800. 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 2020 £000		31 March 2021 £000
5	Cash held	5
163	Bank accounts	1,166
3,350	Money Market Funds	2,000
<u>3,518</u>	Total	<u>3,171</u>

27. Short Term Debtors and Prepayments

31 March 2020 £000		31 March 2021 £000
(24)	Impairment for Bad Debts	(13)
	Prepayments & Accrued Income	
0	Local Authorities	124
188	Other	147
	Debtors	
793	Government Departments	917
354	Local Authorities	124
751	Other	236
<u>2,062</u>		<u>1,535</u>

28. Short Term Creditors and Receipts in Advance

31 March 2020 £000		31 March 2021 £000
	Income in Advance	
0	Government Departments	(1)
	Local Authorities	(445)
(48)	Other	(193)
	Creditors	
(212)	Government Departments	(202)
(65)	Local Authorities	(64)
(1,066)	Other	(1,008)
<u>(1,391)</u>	Total Creditors	<u>(1,913)</u>

29. Nature and Purpose of General Fund Earmarked 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.

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
----------------------	---

30. Summary of Movement on Usable Reserves

Description	Balance 31 March 2019 £000	Gains/ (losses) in period £000	Transfers to/(from) reserves £000	Balance 31 March 2020 £000	Gains/ (losses) in period £000	Transfers to/(from) reserves £000	Balance 31 March 2021 £000
Usable Reserves - held for capital purposes							
Useable Capital Receipts Reserve	316	0	(273)	43	0	161	204
Capital Grants Unapplied Reserve	18	0	2,199	2,217	0	(1,811)	406
Earmarked Reserves							
Capital Support Fund	195	0	(19)	176	0	(176)	0
Usable Reserves - held for revenue purposes							
Earmarked Reserves							
Ring-fenced Funds Reserve	378	0	(119)	259	0	41	300
External Grants Reserve	338	0	55	393	0	(17)	376
Organisational Devt Reserve	8	0	(8)	0	0	0	0
Inquiry Reserve	101	0	(101)	0	0	0	0
Climate Change Reserve	27	0	5	32	0	(22)	10
Windermere Registration Reserve	1	0	0	1	0	29	30
Lake District Communities Fund	18	0	(9)	9	0	(1)	8
Cumbria Woodlands	135	0	3	138	0	(21)	117
Investing for our Future	149	0	(149)	0	0	0	0
PPA Support Reserve	0	0	0	0	0	0	0
Partnership Priorities Reserve	357	0	(140)	217	0	(55)	162
Fix the Fells Reserve	130	0	57	187	0	7	194
Partnership Payback Reserve	0	0	0	0	0	0	0
Post Contract Works Reserve	17	0	0	17	0	0	17
Public Rights of Way Reserve	190	0	(80)	110	0	2	112
Planning Fee Increase Reserve	63	0	25	88	0	69	157
National Parks Portal Reserve	0	0	26	26	0	10	36
Enterprise Fund	169	0	(169)	0	0	0	0
Total Earmarked Reserves	2,342	0	(623)	1,653	0	(134)	1,519
General Reserve	770	0	(157)	613	0	460	1,073
Total Usable Reserves	3,761	0	1,146	4,526	0	(1,324)	3,202

31. Prior Period Adjustment

The Authority conducted a review of its Revaluation Reserve balance and adjusted for historic misstatements, which incorrectly showed a higher balance on this reserve than should have been reported. This error occurred through a formula error in our Asset Register, which has now been corrected. Accordingly, an adjustment of £813,000 was made to reduce the balance on the Revaluation Reserve and increase the balance on the Capital Adjustment Account by the same value. The more significant resulting impacts on the prior year's disclosures in the following statements and notes were also actioned:

- Comprehensive Income and Expenditure Statement - net cost of services and surplus or deficit on the revaluation of non-current assets each moved by equal and opposite values of £672,000 with a nil overall impact.
- Expenditure and Funding Analysis – the adjustments between funding and accounting basis and the surplus/(deficit) on General Fund Balance each moved by £672,000.
- Individual lines in the Movement in Reserves Statement and the Cash Flow Statement have also been adjusted and restated with nil overall impact on our cash position or our total reserve holdings.
- Part of the total adjustment related to financial years prior to the 2019/20 year and accordingly a third balance sheet at 31 March 2019 is also presented.
- The adjustment at the start of the earliest prior period presented is £141,000.

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 2021 and up to the date of approval of the statement of accounts.

3. Review of Effectiveness

During 2020/21, 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 2019/20 review and have worked on during 2020/21 are as follows;

- 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.
- Implement the leading elements of new Organisational Development Action Plan

- 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

The review for 2020/21 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. During 2020/21, we developed an Interim Business Plan for the year which reflected more closely the challenges of National Park management during the pandemic. The Interim Business Plan reflected reduced levels of delivery in some areas of the Authority's work and increased levels of delivery in responding to and managing the impacts of the pandemic out in the National Park. For 2021/22 onwards, we have resumed our 3 year rolling Business Plan.

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, and monthly reports received by Strategic Leadership Team.

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.

The rolling out of our values and performance appraisal process to our Volunteers Service, combined with our Volunteers Strategy ensures a near seamless provision of services between staff and volunteers.

Our Organisational Development Strategy is the principal means by which we develop skills and capacity within the organisation. During 2020/21 we have re-developed our Organisational Development Programme to support the new organisational structure that goes live on 1 April 2021. A key component of that for the coming year will be to strengthen internal communications and to support new teams, ensuring they have the right skills and attributes 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. Our priorities in this will be guided by the "Lake District for Everyone" study. We will continue to promote service accessibility and inclusion and enhance and develop our policies and services as required.

Significant Governance Issue (ongoing) – Implement the leading elements of new Organisational Development Action Plan for 2021/22, in-particular:

- ***Strengthen internal communications across the Authority***
- ***Support our new teams, following the implementation of the Securing Our Future Programme***

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 was initially developed through facilitator-led risk management sessions and this improved approach is now embedded into service planning and day-to-day risk management processes.

The corporate risks and issues log is discussed at 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 Finance, Performance and Risk 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 is now 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, being updated in April 2021. 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 and Capability 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 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.

The Resources Committee meets quarterly to review and scrutinise the financial performance of the Authority. This provides a robust scrutiny of performance to date and projected performance.

As part of its financial management arrangements, the Authority continues to proactively work to become more financially self-sufficient. The Investing for our Future (IFOF) programme has now run its course, delivering significant financial benefits. The programme involved a series of projects designed to make our visitor services more commercially effective and to improve our wider business efficiency. A successor programme to IFOF will be developed under a new Commercial Strategy. As new projects are initiated within the scope of the new strategy, the process will be overseen by senior management and members 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 longer term financial resilience.

CIPFA's Financial Management Code sets out good practice in financial management to assist local authorities in demonstrating their financial stability. The Authority is compliant with most major elements of the new code and work will be undertaken during 2021/22 to strengthen compliance further.

Significant Governance Issue – Develop a Commercial Strategy to support medium term financial resilience

Significant Governance Issue – Continue work to support compliance with the CIPFA Financial Management Code

4.9 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.

4.10 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.

The Monitoring Officer is supported in his role by the Authority Solicitor (the Authority's Deputy Monitoring Officer) who advises on legal matters, attends Executive Board and Committee meetings to support lawful decision making, and provides a legal commentary on reports to Members.

4.11 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.

4.12 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", and meets quarterly. The Governance Committee provides an effective scrutiny function in terms of internal and external audit, standards and the Authority's annual statement of account.

4.13 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.

4.14 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 led a piece of work with the Strategic Leadership Team to examine our information management arrangements and ensured that we put in place robust arrangements to retain compliance.

4.15 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.

4.16 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. New legislation to allow virtual committee meetings during the pandemic in 2020/21 has allowed greater public access to our live meetings.

Various channels of communication are available to ensure all stakeholders find information accessible. Internal communications are also delivered using a number of channels. Updates to our internal communications channels are planned in 2021/22 as part of our organisational development programme, to support more effective remote working and to embed our new structural arrangements. We will continue to engage with staff over the coming year to ensure they are supported in the new working arrangements.

4.17 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.

4.18 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.

4.19 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. *Implement the leading elements of new Organisational Development Action Plan for 2021/22, in-particular:*
 - *Strengthen internal communications across the Authority*
 - *Support our new teams, following the implementation of the Securing Our Future Programme*
2. *Develop a Commercial Strategy to support medium term financial resilience.*
3. *Continue work to support compliance with the CIPFA Financial Management Code*

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

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

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