

# **NARRATIVE STATEMENT**

## **FOR THE PERIOD 1 APRIL 2016 TO 31 MARCH 2017**

### **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 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 Partnership's near-term objectives are set out in the Partnership's Plan. The Authority's responsibilities within the Partnership's Plan are formalised in, and monitored with reference to, the Authority's Business Plan. The full Business Plan can be found at [http://www.lakedistrict.gov.uk/data/assets/pdf\\_file/0011/909812/2017\\_03\\_22-Draft-2017-20-Business-Plan-Annex-1.pdf](http://www.lakedistrict.gov.uk/data/assets/pdf_file/0011/909812/2017_03_22-Draft-2017-20-Business-Plan-Annex-1.pdf).

The aim of our Statement of Accounts is to demonstrate the overall financial position of the Authority at the end of the 2016/17 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.

### **Background**

The Authority's accounts for the year ending 31 March 2017 are presented in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). This format incorporates the requirements of International Financial Reporting Standards (IFRS) wherever this is possible.

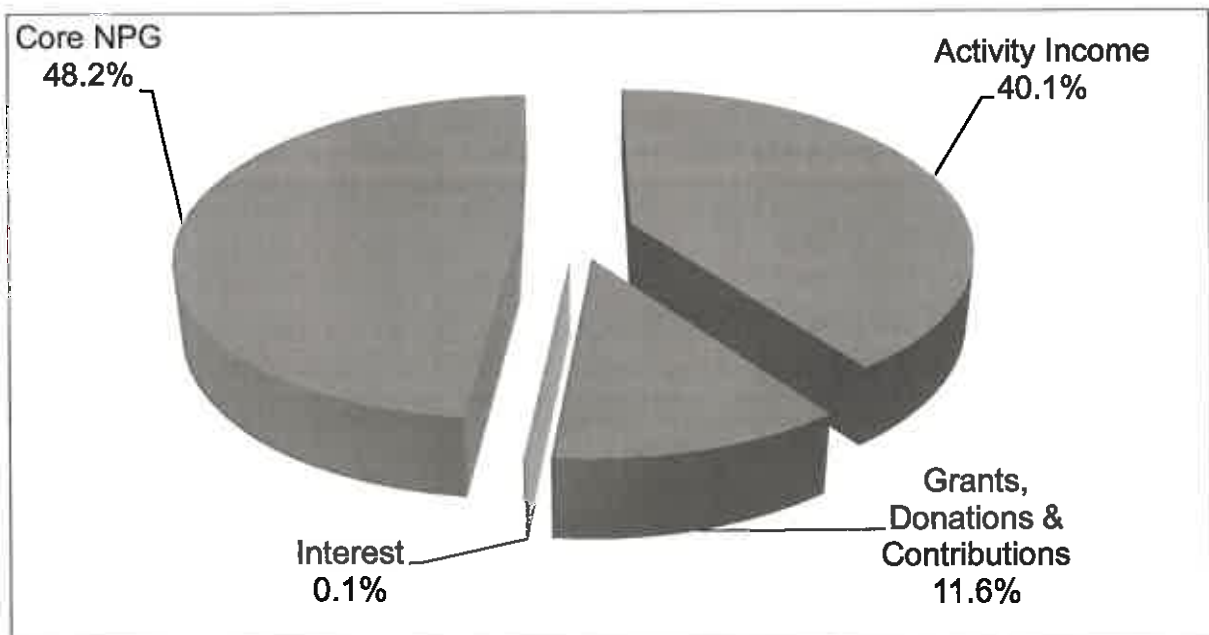
### **Financial and Economic Environment**

The Department of Environment, Food and Rural Affairs (Defra) sets the level of Government funding for the National Park Authority on an annual basis. For 2016/17 the level of core funding allocated by Defra saw an overall increase of around 1.25% on funding received in 2015/16. The Authority set a balanced revenue budget for 2016/17 based on funding from Defra and an estimate of the level of additional income it could earn from other sources. In 2016/17 the Lake District National Park Authority was not required to levy local councils to generate funding. Income streams from visitor spending were affected by the floods caused by storm Desmond as discussed further under the 'Significant Matters Reported in the 2016/17 Accounts' heading below.

## Sources of Revenue Funds

In addition to Defra National Park Grant, the Authority received other grants and contributions. Heritage Lottery Fund grants of £403,000 were received in support of our Coniston Copper Mines, Fell Futures and Rusland Horizons projects. Rural Payments Agency grants of £107,000 were received in support of the Routes to Resilience flood repair work. Friends of the Lake District grants of £42,000 were also received towards flood repair work. Cumbria County Council grants totalling £68,000 were received, the majority of which was for a sustainable transport scheme. Funding of £110,000 was received from the Arts Council and the Imperial War Museum in relation to the Lakes Alive arts festival events which took place in the summer of 2016. 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. With the exception of insurance claim income, there were only two significant variances from budget. Both of these were caused by unexpectedly high income receipts at the very end of the year, one relating to car parks and the other to planning fees.

### Source of Revenue Funds 2016/17



## Sources of Capital Funds

In 2016/17 the Authority received £2,045,000 from the sale of assets and £81,000 of insurance income towards the re-instatement of Glenridding & Bowness Information Centres damaged in December 2015 by storm Desmond and its associated flooding. The Authority also received grants of £32,000 to fund equipment purchased for the Rusland Horizons and Routes to Resilience projects. Some of these funds were used to finance the 2016/17 capital programme. The balance of capital resources remaining will be used to fund the Authority's capital programme in 2017/18. Further receipts will be required in order to fund capital spend in future years unless an alternative method of funding such as borrowing is used. The position as regards capital resources held at 31/3/17 is shown below.

	Opening Balance £000	Net Movement 2016/17 £000	Closing Balance £000
Capital Receipts	28	1,327	1,355
Usable Capital Grants & Contributions	246	(111)	135
Capital Support Fund	342	184	526
<b>Total Capital Resources</b>	<b>616</b>	<b>1,400</b>	<b>2,016</b>

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

### Application of Funds

The Authority translates the total resources available into an annual budget, managed by service area. The following table shows how these resources have been spent during 2016/17 compared to their respective budgets. The actual spending in the table below summarises all revenue income and expenditure.

	Annual Budget £000	Net Spending £000	Variance £000
Executive, Legal & PA	537	544	7
People & Communications Resources	1,290	1,300	10
Commercial Services	1,666	1,614	(52)
Development Management	0	(85)	(85)
Park Management	220	200	(20)
Strategy & Partnerships	1,689	1,656	(33)
Non Distributed Costs	664	660	(4)
	14	14	0
<b>Net Cost of Services</b>	<b>6,080</b>	<b>5,903</b>	<b>(177)</b>
(Gain) / Loss on Disposal of Fixed Asset	(24)	(29)	(5)
Investment Interest	(10)	(9)	1
Investment Properties	(511)	(505)	6
Pensions Interest & Return on Assets	398	398	0
<b>Net Operating Expenditure</b>	<b>5,933</b>	<b>5,758</b>	<b>(175)</b>
Non specific grants	(5,397)	(5,397)	0
<b>Total Income &amp; Expenditure</b>	<b>536</b>	<b>361</b>	<b>(175)</b>
Capital Related Reversals	(85)	(85)	0
Other Accounting Reversals	(1,426)	(1,426)	0
Employers Pension Costs	859	861	2
Revenue Financing of Capital Spend	21	21	0
<b>Pre Appropriations Outturn</b>	<b>(95)</b>	<b>(268)</b>	<b>(173)</b>
Movement on Other Earmarked Reserves	399	607	208
Movement on External Grant Reserve	(178)	(167)	11
Movement on General Reserves	(126)	(172)	(46)
<b>Balanced Revenue Position</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## **Significant Matters Reported in the 2016/17 Accounts**

Total NPG increased from £5,219,000 in 2015/16 to £5,284,000 in 2016/17. The Authority set a balanced budget for 2016/17 and, at that time, also projected a balanced budget for 2017/18. Other non-grant income, including income from chargeable activities at around 40% of the total, is an important source of revenue, which the Authority actively seeks to grow.

The economic environment in 2016/17 was again a challenging one for commercial income generation and income projections were revised downward during the year. Despite this, the continued drive for greater efficiency within the Authority meant that the final revenue underspend against revised budget<sup>1</sup> was £173,000, which is not significant in terms of the core revenue budget. This variance represents only 1.5% of budget and is therefore well within our target of 2%, reflecting success in monitoring core service delivery. During the year, the system of monthly financial reporting to the Executive Board continued alongside quarterly reporting to members of the Authority.

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 these projects was accounted for in 2016/17 but not spent, this income was appropriated to earmarked reserves as required by International Financial Reporting Standards. Previously received funding was also drawn down from reserves to fund work in 2016/17, resulting in a net decrease in the external grants reserve balance of £168,000 and a final balance of £203,000.

In 2013/14, professional valuers undertook a valuation of all the Authority's land and building assets which resulted in several significant changes to asset values. As required by accounting practice, investment properties are valued every year with the 2016/17 valuation leading to a small decrease in value of £37,000. Operational properties are now valued on a rolling basis with the Brockhole site being valued in 2016/17, leading to an increase in value of £316,000. Our Information Centres were also valued in 2016/17, leading to a decrease in value of £71,000. One property was re-classified as a surplus property leading to a valuation increase of £148,000. Our valuers provided a market commentary report to confirm that changes in the market during 2016/17 would not have caused any material changes to the values of our other operational properties.

In December 2015, significant property and infrastructure damage was caused across the National Park by storm Desmond. Insurance income continued to be received during 2016/17 as various claims were settled, although the claim in respect of our Glenridding Information Centre remained unsettled at the year end. Other financial effects of the storm continued to be felt in our Commercial Services as visitor numbers were affected early in the year. Our flood-damaged Bowness Information Centre reopened in May 2016 and a £3m Rural Payments Agency grant-funded repair programme named 'Routes to Resilience' commenced in November 2016. We continue to work with partners and government to explore additional funding opportunities to finance the remaining flood repair work.

---

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

Five property disposals took place in 2016/17 and some other properties were marketed during the year. The £1,963,000 capital receipts (net of costs) obtained from the sales completed in 2016/17 have been used to part fund the capital programme.

The capital programme achieved spending of £881,000 against a budget of £902,000 with no significant variances. In addition to the usual replacement of vehicles, boats and computing infrastructure, capital spending during 2016/17 also included £284,000 on structural work to buildings at Brockhole and £95,000 on improvements at Greenside Mines. Insurance funded reinstatement works were also carried out at our information centres and at Coniston boating centre.

After financing its capital spend, the Authority held unapplied capital receipts of £1,355,000, and a revenue reserve of £526,000 earmarked for capital purposes. The Authority currently remains debt free but may decide to undertake prudential borrowing to finance capital expenditure in future.

At 31 March 2017, the Authority's net assets as reported on the balance sheet stood at £1,408,000, a reduction of £5,628,000, due for the most part to pensions accounting.

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 2017 showed a liability of £17.9 million compared to a liability of £11.3 million the previous financial year. This represents an increase in liability of £6.5 million and is net of a previous £258,000 upfront payment of our deficit reduction contributions for 2016/17. The action of paying our deficit recovery payments in advance over the last three years has resulted in a net saving to the Authority of £60,000. 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, and clearly these may vary. The change in estimated liabilities is mostly due to a change in the assumption about discount rates used by our Actuaries. 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 31/3/16, when its funding level reached 91%, a significant improvement on the previous triennial valuation.

### **Capital Investment in 2016/17**

The Authority's capital investment can be analysed as follows

Project Name	Capital Budget	Actual Outturn	Variance	Investment Type
	£000	£000	£000	
<b>Capital Programme</b>				
ICT Rolling Replacement Programme	56	52	(4)	Maintenance
Greenside Mines	95	95	0	Maintenance
Coniston Boating Centre Boat Replacements	31	30	(1)	Maintenance
Car Park Re-surfacing	5	0	(5)	Maintenance
Car Park Signage	12	13	1	Maintenance
New Vehicles	61	61	0	Maintenance
Park Management Plant & Machinery	13	6	(7)	Maintenance
Routes to Resilience Equipment	25	25	0	Development
Rusland Horizons Equipment	0	7	7	Development
Bowness Bay Windows	22	22	0	Maintenance
Information Centre Development	20	20	0	Development
EPOS Upgrade	18	18	0	Development
Brockhole Facilities Improvements	67	55	(12)	Maintenance
Brockhole Condition Survey Work	284	284	0	Maintenance
Wasdale Head Toilets	2	1	(1)	Maintenance
	<b>711</b>	<b>689</b>	<b>(22)</b>	
<b>Insurance Re-instatements</b>				
Glenridding Information Centre	49	50	1	Maintenance
Bowness Bay Information Centre	105	105	0	Maintenance
Waterhead Information Centre	26	26	0	Maintenance
Coniston Boating Centre Jetty	11	11	0	Maintenance
	<b>191</b>	<b>192</b>	<b>1</b>	
<b>Total</b>	<b>902</b>	<b>881</b>	<b>(21)</b>	

The Authority used the following capital resources to finance its 2016/17 capital spending.

Source of Funding	£000
Useable Capital Receipts	636
Capital Grants & Contributions	224
Direct Revenue Financing	21
<b>Total Capital Financing</b>	<b>881</b>

## Value for Money

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 "Greater Impact: Fewer Resources" was in place for 2016/17 and aims to deliver maximum impact in terms of service delivery by using our staff and other resources in more efficient ways. Our effectiveness is a key consideration and our success in delivering the Vision for the National Park is monitored closely using a number of performance indicators and actions set out in our Business Plan.

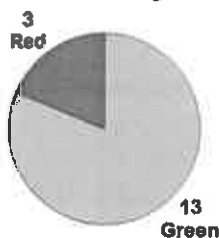
Our Investing for our Future programme was further developed in 2016/17, aiming to secure a long-term, sustainable increase in contribution of £1.5m to improve both service delivery and the Authority's financial resilience.

Our plans for the re-development of the Brockhole site crystallised during 2016/17 with a programme of work that will lead to a series of incremental improvements to the site, led by visitor feedback. These will transform the financial sustainability of the site for the medium term.

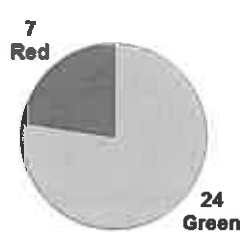
## Performance and Risk Management

Performance indicators, actions and risks are monitored on a quarterly basis by our Resources Committee. At the end of 2016/17, 13 of the 16 indicators with performance data achieved or exceeded targeted performance levels. Of the 31 actions in the Business Plan, 24 (77%) of the 2016/17 milestones were achieved. Of our Business Plan and Corporate risks, none were scored as being critical, only one was flagged as red (high), two as amber (medium) and 13 as green (low). These results can be summarised as follows...

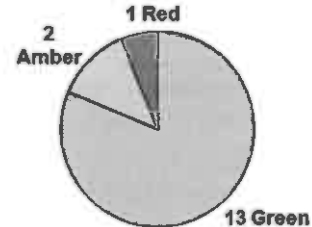
Indicators with targets & data



Action milestones



Risks



The Authority performed to target against the majority of business plan performance indicators and actions during 2016/17. Areas of good performance included:

- Achieving a 17 per cent reduction in the number of accidents compared to the previous year and an encouraging 30 per cent increase in reported near misses, which support ongoing health and safety improvements
- Exceeding all three national targets for determining major, minor and other planning applications in each of the past six years
- Facilitating the potential creation of 275 FTE jobs, resulting from planning permissions granted
- Granting planning permission for 77 local needs and 36 affordable housing units, exceeding the target of 30 units of each, and improving on the previous year
- Significantly exceeding the annual target for increasing the length of the Miles without Stiles network, with four new accessible routes added

- Reducing the number of scheduled monuments at high risk from 39 down to 30; predominantly due to bracken clearance carried out by the Archaeology Volunteer Network.








Areas where the Authority performed less well were...

- We just missed the target for 75 per cent of rights of way to be easy to use
- Brockhole visitor numbers, around 12 percent behind 2015/16
- Reduction in gas emissions, due to major projects coming on stream.

Overall, 2016/17 performance improved in some areas and declined in others relative to 2015/16, but most 2016/17 targets were met.

### Performance Indicators and Comparison to Previous Year

Performance Indicator	2016/19 Business Plan			
	2015/16	2016/17		
	Actual March 2016	Target March 2017	Actual March 2017	Target Met?
<b>Outcome: Contributing to a Prosperous Economy</b>				
<b>Objective: Support economic growth within National Park communities</b>				
Major planning applications determined within 13 weeks (%)	85% (22 / 26)	> 60%	80% (20 / 25)	☺ Green
Minor planning applications determined within eight weeks (%)	71% (347 / 492)	> 65%	73% (395 / 542)	☺ Green
Other planning applications determined within eight weeks (%)	89% (473 / 533)	> 80%	88% (451 / 513)	☺ Green
<b>Outcome: Contributing to World Class Visitor Experiences</b>				
<b>Objective: Improve sustainable transport, access and recreation opportunities</b>				
Ease of use of footpaths, bridleways and byways (%)	77% <i>May 86% November 67%</i>	> 75%	73% <i>May 79% November 67%</i>	☹ Red
Annual increase in length of Miles without Stiles accessible routes (km)	3.96 km	> 1.25 km	9.13 km	☺ Green
<b>Objective: Develop high quality public realm and amenities</b>				
Annual number of visitors to Brockhole, the Lake District Visitor Centre	247,250 visitors	> 258,000 visitors	217,500 visitors	☹ Red
<b>Outcome: Contributing to Vibrant Communities</b>				
<b>Objective: Promote affordable and local needs housing</b>				
Local needs homes granted planning permission (units)	75 units	> 30 units	77 units	☺ Green

Performance Indicator	2016/19 Business Plan			
	2015/16	2016/17		
	Actual March 2016	Target March 2017	Actual March 2017	Target Met?
Affordable homes granted planning permission (units)	24 units	> 30 units	36 units	 Green
<b>Outcome: Contributing to a Spectacular Landscape, Wildlife and Cultural Heritage</b>				
<b>Objective: Celebrate and maintain historic environment</b>				
Percentage of conservation areas with up to date character appraisals and management	96% (22 / 23)	96%	96% (22 / 23)	 Green
Number of scheduled monuments at high risk	39	< 38	30	 Green
Percentage of listed buildings at risk	4.9% (87 / 1,771)	< 5%	4.9% (87 / 1,775)	 Green
Community and visitors who understand and support World Heritage Inscription (%)	91% (962 / 1,059 people)	> 90%	90% (1,604 / 1,787 people)	 Green
<b>Outcome: Demonstrating a High Performance Culture</b>				
<b>Objective: Develop our culture by making sure people have the right skills, information and understanding to do their jobs well and safely</b>				
Percentage reduction in number of accidents, from 2015/16 baseline of 35 accidents	no data (new indicator in 2016/17)	> 10% reduction	17% reduction number of accidents: 2016/17: 29 2015/16: 35	 Red
<b>Objective: Manage efficiently our physical and information assets</b>				
Percentage reduction in greenhouse gas emissions from our own operations, from 2015/16 baseline of 474 tonnes	no data (new indicator in 2016/17)	> 2.5% reduction	0.6% reduction 2016/17: 471 tonnes 2015/16: 474 tonnes	 Red

Further details are available at  
[http://www.lakedistrict.gov.uk/\\_data/assets/pdf\\_file/0004/951268/2017-05-25-2016-17-Performance,-Budget-and-Risk-Monitoring-Report-for-2016-17.pdf](http://www.lakedistrict.gov.uk/_data/assets/pdf_file/0004/951268/2017-05-25-2016-17-Performance,-Budget-and-Risk-Monitoring-Report-for-2016-17.pdf)

## **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 intends to invest over coming years through the realisation of the site's redevelopment.

The Authority is currently debt-free and anticipates that capital funding for the redevelopment of Brockhole and the financing of the remainder of the capital programme will comprise a mixture of capital receipts and external grant funding

## **Other Issues**

The Authority held only non-material provisions at 31 March 2017. There were no write-offs. 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 and the Authority currently projects balanced revenue budgets until 2020/21. There were material events after the reporting date, which are explained in the notes to the accounts.

## **Changes to Accounting Policies**

The 2016/17 Code adopts the requirements of the following new or amended standards effective for the first time to annual periods beginning on or after 1 April 2016.

- Amendments to IAS 1 – Presentation of Financial Statements  
This includes changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the Expenditure and Funding Analysis
- Adoption of a number of smaller amendments
- Annual improvements to IFRSs 2012-14 cycle
- Amendments to IAS16 and IAS38

The only change to have a material impact on the statement of accounts is that relating to the presentation of the financial statements.

## **The Accounting Statements**

The accounting statements for the Authority for the period 1 April 2016 to 31 March 2017, 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 of reserves are usable reserves, that is those reserves that the Authority may use to provide services, 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 of reserves 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 of the Authority 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 Accounting Policies**

This 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 2016/17 are reflected in the Statement of Accounts. The policies were presented to Members of the Governance Committee on 13 April 2017.

- Expenditure and Funding Analysis

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

Signed:

*J.G. Thompson*

(Chairman of Governance Committee)

*R. Smith*

(Chief Executive)

Date:

*28 September 2017*



Lake District  
National Park

# Statement of Accounts 2016/17



## **TABLE OF CONTENTS**

<b>Introduction</b>	<b>1</b>
<b>Responsibility for the Statement of Accounts</b>	<b>3</b>
<b>Independent Auditor's Report to the Members of the Lake District National Park Authority</b>	<b>5</b>
<b>Statement of Significant Accounting Policies</b>	<b>8</b>
<b>Comprehensive Income and Expenditure Statement</b>	<b>18</b>
<b>Movement in Reserves Statement</b>	<b>19</b>
<b>Balance Sheet</b>	<b>20</b>
<b>Cash Flow Statement</b>	<b>21</b>
<b>Notes to the Core Financial Statements</b>	<b>22</b>
<b>Glossary of Terms</b>	<b>69</b>

## INTRODUCTION

The Lake District National Park Authority's accounts for the year ending 31 March 2017 are presented in the format laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). This format incorporates the requirements of International Financial Reporting Standards (IFRS) wherever this is possible.

The aim of this Statement of Accounts is to demonstrate the overall financial position of the Authority at the end of the 2016/17 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.

These accounts should be read in conjunction with the accompanying Narrative Statement for the period 1 April 2016 to 31 March 2017. This statement provides the context within which the Authority operates, gives details of the sources of revenue and capital funding and sets out any relevant issues affecting the Authority.

The accounting statements for the Authority for the period 1 April 2016 to 31 March 2017, 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 both the Expenditure and Funding Analysis and 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 'Increase / (Decrease)' line shows the statutory General Reserve Balance movements in the year following the statutory adjustments required to return to the amounts chargeable to council tax for the year.

- **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 of reserves are usable reserves, that is those reserves that the Authority may use to provide services, 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 of reserves 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 of the Authority 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 sets out the significant 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 2016/17 are reflected in the Statement of Accounts. The policies were presented to Members of the Governance Committee on 13 April 2017.

- **Expenditure and Funding Analysis**

This Analysis shows how annual expenditure is used in providing services and funded from resources (government grant, rents) in comparison with those resources consumed or earned 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 & expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income & Expenditure Statement.

## RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

### 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 2016 to 31 March 2017.



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 2016/17. In preparing this Statement of Accounts, the Director of Communications & Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the requirements of the local authority Code of Practice.
- Kept financial records and accounts which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

These accounts were authorised for issue by Kerry Powell CPFA, Director of Communications & Resources on 28 September 2017. 28 September 2017 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 2017 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**

We have audited the financial statements of Lake District National Park Authority (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise Statement of Significant Accounting Policies, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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.

### **Respective responsibilities of the Director of Communications and Resources and auditor**

As explained more fully in the Responsibility for the Statement of Accounts 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Communications and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

## **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

## **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Respective responsibilities of the Authority and auditor**

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.

We are required under Section 20(1)(c) of the Act 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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Certification**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

***Gareth Kelly***

Gareth Kelly  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
110 Queen Street  
Glasgow  
G1 3BX

**28 September 2017**

# Statement of Significant Accounting Policies

## Introduction and General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS)*.

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

## Accruals of Income and Expenditure

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

- fees and charges and other receipts from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- supplies are charged as expenditure when they are consumed, before which they are carried as inventories on the balance sheet.
- interest paid or received is accrued and accounted for in the period to which it relates on the basis of the effective interest rate for the relevant financial instrument that reflects the overall effects of the borrowing or investment generating the interest.
- where income and expenditure has been recognised, but cash has not yet been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- supplies and services received are accrued and accounted for in the period they are received or used rather than when payments are made.

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

## Cash and Cash Equivalents

Cash comprises cash in hand, deposits held with financial institutions repayable without penalty on notice of not more than 24 hours and bank overdrafts. Cash equivalents are short-term, highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

## 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, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had

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

## **Accounting Estimates and Judgements**

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

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

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

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

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

## **Employee Benefits**

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

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

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

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment or an officer's decision to take voluntary redundancy. They are charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring. Where the termination benefits involve the enhancement of pensions the General Reserve is charged with the amount payable by the Authority to the pension fund.

### (iii) Retirement Benefits

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

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

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

Around 77% of LGPS assets are held in equity investments and bond issues with the remainder held in property and other assets.

- The change in the net pension liability is analysed into seven components and recognised in the Statements as follows:
  - **Current service cost** – the increase in liabilities as a result of years of service earned this year is charged to service revenue accounts, based on where employees worked, within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement.
  - **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to Non-Distributed Costs within Net Cost of Services in the Comprehensive Income and Expenditure Statement.
  - **Net interest on the net defined benefit liability (asset)** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the start of the period to the net defined benefit liability (asset) at the start of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - **Remeasurements of the net defined benefit liability** - to be charged to the Pensions Reserve and recognised in Other Comprehensive Income and Expenditure, comprising

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset)

Actuarial gains and losses – changes to the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

- **Contributions paid to the Cumbria County Council Pension Fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.**

Measurement bases applied in respect of the LGPS assets and liabilities are set out in note 33 to the Accounts.

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

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

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

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

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

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

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

#### **Financial Instruments**

Financial instruments held by the Authority are all classed as either financial liabilities or financial assets (loans and receivables) 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 as either loans and receivables or available for sale assets. Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. Available for sale assets are assets that have a quoted market price and/or do not have fixed or determinable payments. The Authority does not have any items such as Available for Sale Financial Assets that would require gains or losses identified under Other Comprehensive Income and Expenditure to subsequently be reclassified to the Surplus or Deficit on the Provision of Services.

## **(ii) Loans and Receivables**

### **(a) Investments**

Investments are classed as either long-term assets, repayable after 12 months or longer, or as current assets if repayable within a 12-month period. Investments 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.

### **(b) Debtors**

Debtors 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. Where debts are identified as impaired because of a likelihood that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service line in the Comprehensive Income and Expenditure Statement.

Further details on Financial Instruments can be found in note 23 to the Financial Statements.

## **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.

### **Investment Property**

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

### **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.

### **Property, Plant and Equipment**

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

**(i) Recognition and Measurement**

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other expenditure on assets is charged as an expense to revenue as it is incurred. Property, Plant and Equipment assets also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at the lower of fair value of the property and the present value of the minimum lease payments.

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year-end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Account.

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

**(ii) Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated, and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment is identified as a result of this review or as a result of changes arising from annual valuations, this is accounted for by writing off the impairment against any revaluation gains attributable to the relevant asset in the Revaluation Reserve. If there is an insufficient or zero balance in the Revaluation Reserve, the excess is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

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

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

### **(iii) Sales**

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

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

## **Component Accounting**

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

## **Depreciation**

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

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

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

### **Non-Current Assets Held For Sale**

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

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

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

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

### **Capital Receipts**

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

### **Contingent Assets and Liabilities**

Contingent assets and liabilities arise where an event has taken place that gives the Authority a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets and liabilities are not recognised in the financial statements but are disclosed as a note to the accounts, unless the possibility of inflow/outflow of resources is remote. They are assessed continually to determine if the inflow/outflow is probable. In the case of a contingent liability, if the

outflow becomes probable a provision is recognised unless a reliable estimate cannot be made. If the inflow from a contingent asset becomes probable and can be measured reliably, the debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements in the period in which the change occurs.

## **Reserves**

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

## **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

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16 Restated				2016/17		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Gross Income £000	Net Exp £000
705	(102)	603	Executive Board & Legal	675	(132)	543
			<i>Communications and Resources Directorate</i>			
1,761	(147)	1,614	Resources	1,875	(261)	1,614
2,944	(3,243)	(299)	Commercial Services	3,163	(3,248)	(85)
1,302	(184)	1,118	People and Communications	1,474	(174)	1,300
			<i>Sustainable Development Directorate</i>			
780	(623)	157	Development Management	899	(699)	200
2,052	(594)	1,458	Park Management	2,503	(846)	1,657
761	(140)	621	Strategy & Partnerships	877	(217)	660
28	0	28	Non Distributed Costs	14	0	14
<b>10,333</b>	<b>(5,033)</b>	<b>5,300</b>	<b>Cost of Services</b>	<b>11,480</b>	<b>(5,577)</b>	<b>5,903</b>
446	(549)	(103)	Other Operating Expenditure	153	(182)	(29)
1,685	(1,396)	289	Financing & Investment Income & Exp	3,279	(3,395)	(116)
0	(5,552)	(5,552)	Non-specific grant income	0	(5,397)	(5,397)
<b>12,464</b>	<b>(12,530)</b>	<b>(66)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>14,912</b>	<b>(14,551)</b>	<b>361</b>
		(138)	(Surplus) or deficit on revaluation of non-current assets			(486)
		77	Impairment losses on non-current assets charged to the revaluation reserve			0
		(2,376)	Remeasurements of the defined benefit liability			5,753
		<b>(2,437)</b>	<b>Other Comprehensive (Income) &amp; Expenditure</b>			<b>5,267</b>
		<b>(2,503)</b>	<b>Total Comprehensive (Income) &amp; Expenditure</b>			<b>5,628</b>

## MOVEMENT IN RESERVES STATEMENT

	Note	General Reserve Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2016</b>		<b>3,192</b>	<b>28</b>	<b>246</b>	<b>3,466</b>	<b>3,570</b>	<b>7,036</b>
<b>2016/17</b>							
Total Comprehensive Income & Expenditure		(361)	0	0	(361)	(5,267)	(5,628)
Adjustments between accounting basis & funding basis under regulations	10	629	1,327	(111)	1,845	(1,845)	0
<b>Increase / (Decrease) In 2016/17</b>		<b>268</b>	<b>1,327</b>	<b>(111)</b>	<b>1,484</b>	<b>(7,112)</b>	<b>(5,628)</b>
<b>Balance at 31 March 2017 carried forward</b>		<b>3,460</b>	<b>1,355</b>	<b>135</b>	<b>4,950</b>	<b>(3,542)</b>	<b>1,408</b>

Restated comparative data for 2015/16 is shown below

	Note	General Reserve Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2015</b>		<b>2,441</b>	<b>22</b>	<b>14</b>	<b>2,477</b>	<b>2,056</b>	<b>4,533</b>
<b>2015/16</b>							
Total Comprehensive Income & Expenditure		66	0	0	66	2,437	2,503
Adjustments between accounting basis & funding basis under regulations	10	685	6	232	923	(923)	0
<b>Increase / (Decrease) In 2015/16</b>		<b>751</b>	<b>6</b>	<b>232</b>	<b>989</b>	<b>1,514</b>	<b>2,503</b>
<b>Balance at 31 March 2016 carried forward</b>		<b>3,192</b>	<b>28</b>	<b>246</b>	<b>3,466</b>	<b>3,570</b>	<b>7,036</b>

## BALANCE SHEET AS AT 31 MARCH 2017

Restated 31 March 2016 £000		Note	31 March 2017	
			£000	£000
10,327	Property, Plant & Equipment	18	10,946	
8	Heritage Assets		8	
4,883	Investment Property	21	3,331	
27	Intangible Assets		29	
13	Long Term Debtors		13	
<u>15,258</u>	<b>Long Term Assets</b>			<b>14,327</b>
2,862	Cash & cash equivalents	25	4,679	
113	Inventories & Work in Progress		105	
1,103	Short Term Debtors	26	1,030	
	Investment Properties Held for Sale		117	
0	Assets Held for Sale		19	
<u>4,078</u>	<b>Current Assets</b>			<b>5,950</b>
(966)	Short Term Creditors	27	(1,000)	
(12)	Provision		(12)	
<u>(978)</u>	<b>Current Liabilities</b>			<b>(1,012)</b>
(11,322)	Liability related to defined benefit pension scheme	33	(17,857)	
<u>(11,322)</u>	<b>Long Term Liabilities</b>			<b>(17,857)</b>
<u>7,036</u>	<b>Net Assets</b>			<u>1,408</u>
	<b>Usable Reserves</b>			
28	Capital Receipts Reserve	29		1,355
246	Capital Grants Unapplied Reserve	29		135
2,017	Earmarked Reserves	29		2,457
1,175	General Reserve	29		1,003
	<b>Unusable Reserves</b>			
1,478	Revaluation Reserve	30		1,862
13,766	Capital Adjustment Account	31		12,589
(107)	Accumulated Absences Account			(149)
13	Deferred Capital Receipts			13
(11,580)	Pension Reserve	32		(17,857)
<u>7,036</u>	<b>Total Reserves</b>			<u>1,408</u>

## CASH FLOW STATEMENT

2015/16 £000		Note	2016/17 £000
<b>(66)</b>	<b>Net (Surplus) or Deficit on the Provision of Services</b>		<b>361</b>
(1,797)	Adjust net surplus or deficit on the provision of services for non cash movements	35	(2,900)
569	Adjust for items included in net surplus or deficit on the provision of services that are financing or investing activities	35	2,076
<b>(1,294)</b>	<b>Net Cash Flows from Operating Activities</b>	36	<b>(463)</b>
102	Net Cash Flows from Investing Activities	37	(1,354)
0	Net Cash Flows from Financing Activities	37	0
<b><u>(1,192)</u></b>	<b>Net (increase) or decrease in cash or cash equivalents</b>		<b><u>(1,817)</u></b>
1,670	Cash and cash equivalents at the beginning of the period		2,862
2,862	Cash and cash equivalents at the end of the period	25	4,679

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

2016/17					
	As reported for resource management	Adjustment to arrive at the net amount chargeable to General Fund balance (Note 7)	Net Expenditure Chargeable to the General Fund	Adjustments between Funding & Accounting basis (Note 7)	Net Exp in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Executive Board & Legal Resources	544	(7)	537	7	544
Commercial Services	1,401	(5)	1,396	218	1,614
People & Communications	(492)	7	(485)	400	(85)
Development Management	1,253	(7)	1,246	54	1,300
Park Management	200	(20)	180	20	200
Strategy & Partnerships	1,603	(43)	1,560	96	1,656
Non distributed costs	660	(15)	645	15	660
	0	0	0	14	14
<b>Net Cost of Services</b>	<b>5,169</b>	<b>(90)</b>	<b>5,079</b>	<b>824</b>	<b>5,903</b>
Other Income & Expenditure	(5,293)	(54)	(5,347)	(195)	(5,542)
<b>Surplus or Deficit</b>	<b>(124)</b>	<b>(144)</b>	<b>(268)</b>	<b>629</b>	<b>361</b>
Opening General Fund Balance			(3,192)		
Plus Surplus on General Fund Balance in Year			(268)		
<b>Closing General Fund Balance</b>			<b>(3,460)</b>		

Comparative data for 2015/16 is shown in the table below:

	As reported for resource management	Adjustment to arrive at the net amount chargeable to General Fund balance	Net Expenditure Chargeable to the General Fund	Adjustments between Funding & Accounting basis	Net Exp in the Comprehensive Income & Expenditure Statement
	£000s	(Note 7) £000s	£000s	(Note 7) £000s	£000s
Executive Board & Legal	603	(11)	592	11	603
Resources	1,473	(26)	1,447	167	1,614
Commercial Services	(658)	31	(627)	328	(299)
People & Communications	1,066	(18)	1,048	70	1,118
Development Management	157	(28)	129	28	157
Park Management	1,373	(38)	1,335	123	1,458
Strategy & Partnerships	621	(30)	591	30	621
Non distributed costs	0	0	0	28	28
<b>Net Cost of Services</b>	<b>4,635</b>	<b>(120)</b>	<b>4,515</b>	<b>785</b>	<b>5,300</b>
Other Income & Expenditure	(5,225)	(41)	(5,266)	(100)	(5,366)
<b>Surplus or Deficit</b>	<b>(590)</b>	<b>(161)</b>	<b>(751)</b>	<b>685</b>	<b>(66)</b>
Opening General Fund Balance			(2,441)		
Plus Surplus on General Fund Balance in Year			(751)		
<b>Closing General Fund Balance</b>			<b>(3,192)</b>		

## 2. Accounting Concepts

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

The following accounting concepts have been used

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

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

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

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

The 2017/18 edition of the Code will include the following changes due to accounting standards and interpretations which have been issued but not yet adopted:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

Both these amendments relate to financial disclosures by pension funds and will not have a material impact on information in the financial statements of the Authority.

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

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

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

### **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 £1,162,000.
- 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. However, for one of these assets, valued at £65,000, there were no observable inputs and the value has been based on the valuer's judgement alone. The reported value could vary by up to 10% dependant on the valuer's opinion on split of land and buildings. Details of the relevant unobservable inputs are listed in note 21.

## 6. Prior Period Adjustments

One prior period adjustment has been included in the 2016/17 statement of accounts in addition to the prior period restatement required by the changes to the Comprehensive Income and Expenditure Statement as detailed below.

- We have re-assessed the level of risk relating to our cash deposit in the Public Sector Deposit Fund and decided that there is an insignificant risk to the value of the sum deposited. We have, therefore, re-classified the deposit as a cash or cash equivalent rather than a short term deposit. This has resulted in the following re-statement in the Balance Sheet for 2015/16:

Original 2015/16 £000s	Restated 2016/17 £000s
2,832	2,862
30	0
<u>2,862</u>	<u>2,862</u>

- Prior Period Restatement of Service Expenditure and Income**

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income & Expenditure Statement in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the Authority's internal management reporting structure. This is a change from the previous requirement to present income and expenditure in accordance with the Service Expenditure Code of Practice (SerCOP). The table below shows how the net expenditure and income has been restated.

SERCOP Line	As reported in the Comprehensive Income & Expenditure Statement 2015/16	Adjustments between SERCOP classifications and internal reporting classifications	Service As restated 2015/16
	£000s	£000s	£000s
<b>Net Expenditure</b>			
Conservation of the Natural Environment	446	(446)	0
Conservation of Cultural Heritage	142	(142)	0
Recreation Management & Transport	1,119	(1,418)	(299) Commercial Services
Promoting Understanding	1,620	(502)	1,118 People and Communications
Rnager, Estates & Volunteers	337	1,121	1,458 Park Management
Development Control	345	(188)	157 Development Management
Forward Planning & Communities	499	122	621 Stratgey & Partnerships
Corporate & Democratic Core	616	(13)	603 Executive Board & Legal
Windermere Lake Services	148	(148)	0
	0	1,614	1,614 Resources
Non Distributed Costs	28	0	28 Non distributed costs
<b>Cost of Services</b>	<b>5,300</b>	<b>0</b>	<b>5,300</b>
<b>Gross Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Conservation of the Natural Environment	463	(463)	0
Conservation of Cultural Heritage	191	(191)	0
Recreation Management & Transport	3,488	(544)	2,944 Commercial Services
Promoting Understanding	3,303	(2,001)	1,302 People and Communications
Rnager, Estates & Volunteers	416	1,636	2,052 Park Management
Development Control	986	(206)	780 Development Management
Forward Planning & Communities	602	159	761 Stratgey & Partnerships
Corporate & Democratic Core	629	76	705 Executive Board & Legal
Windermere Lake Services	227	(227)	0
	0	1,761	1,761 Resources
Non Distributed Costs	28	0	28 Non distributed costs
<b>Cost of Services</b>	<b>10,333</b>	<b>0</b>	<b>10,333</b>
<b>Gross Income</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Conservation of the Natural Environment	(17)	17	0
Conservation of Cultural Heritage	(49)	49	0
Recreation Management & Transport	(2,369)	(874)	(3,243) Commercial Services
Promoting Understanding	(1,683)	1,499	(184) People and Communications
Rnager, Estates & Volunteers	(79)	(515)	(594) Park Management
Development Control	(641)	18	(623) Development Management
Forward Planning & Communities	(103)	(37)	(140) Stratgey & Partnerships
Corporate & Democratic Core	(13)	(89)	(102) Executive Board & Legal
Windermere Lake Services	(79)	79	0
	0	(147)	(147) Resources
Non Distributed Costs	0	0	0 Non distributed costs
<b>Cost of Services</b>	<b>(5,033)</b>	<b>0</b>	<b>(5,033)</b>

- **Prior Period Restatement of the Movement on Reserves Statement**

The CIPFA Code of Local Authority Accounting in the UK 2016/17 requires the total General Reserve balance be presented. In the past, it was recommended that Earmarked General Reserves be separately presented. The 2015/16 Movement in Reserves Statement has been restated for this change.

2015/16	General Reserve Balance as previously stated £000s	Earmarked Reserves as previously stated £000s	General Reserve Balance as restated £000s
<b>Balance as at 31 March 2015</b>	668	1,773	2,441
<b>Movement in reserves during 2015/16</b>			
Surplus or deficit on the provision of services	66	0	66
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>66</b>	<b>0</b>	<b>66</b>
Adjustments between accounting & funding basis under regulations	685	0	685
<b>Increase or (Decrease) before transfers to Earmarked reserves</b>	<b>751</b>	<b>0</b>	<b>751</b>
Transfer from earmarked funds	(244)	244	0
<b>Balance as at 31 March 2016</b>	<b>1,175</b>	<b>2,017</b>	<b>3,192</b>

## 7. Note to the Expenditure and Funding Analysis

Adjustments between the Funding and Accounting Basis are as follows:

	Property Related Income & Expenditure reported at Service Level (Note 1) £000s	Pension & other employee adjustments reported at Service level (Note 1) £000s	Total to arrive at amount charged to the General Reserve £000s	Adjustment for Capital Purposes (Note 2) £000s	Net change for the Pensions Adjustment (Note 3) £000s	Other differences (Note 4) £000s	Total adjustment Between Funding and Accounting basis £000s
<b>2016/17</b>							
Executive Board & Legal Resources	0	(7)	(7)	0	8	(1)	7
Commercial Services	16	(21)	(5)	197	20	1	218
People & Communications	48	(41)	7	359	22	19	400
Development Management	0	(7)	(7)	47	8	(1)	54
Park Management	0	(20)	(20)	0	15	5	20
Strategy & Partnerships	0	(43)	(43)	53	29	14	96
Non distributed costs	0	(15)	(15)	0	10	5	15
	0	0	0	0	14	0	14
<b>Net Cost of Services</b>	64	(154)	(90)	656	126	42	824
Other Income & Expenditure	(54)	0	(54)	(593)	398	0	(195)
<b>Total</b>	10	(154)	(144)	63	524	42	629
<b>2015/16</b>							
Executive Board & Legal Resources	0	(11)	(11)	0	14	(3)	11
Commercial Services	7	(33)	(26)	134	32	1	167
People & Communications	44	(13)	31	315	29	(16)	328
Development Management	0	(18)	(18)	52	23	(5)	70
Park Management	0	(28)	(28)	0	24	4	28
Strategy & Partnerships	(5)	(33)	(38)	90	44	(11)	123
Non distributed costs	0	(30)	(30)	0	22	8	30
	0	0	0	0	28	0	28
<b>Net Cost of Services</b>	46	(166)	(120)	591	216	(22)	785
Other Income & Expenditure	(41)	0	(41)	(526)	426	0	(100)
<b>Total</b>	5	(166)	(161)	65	642	(22)	685

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

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

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

### **Note 2 Adjustments for Capital Purposes**

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

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

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

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

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES

### **Note 4 Other Differences**

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

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

## 8. Segmental Income

Income received on a segmental basis is analysed below:

	Revenues from external customers £000s	Insurance receipts £000s
<b>2016/17</b>		
Executive Board & Legal Resources	(129)	0
Commercial Services	(191)	(105)
People & Communications	(3,224)	(61)
Development Management	(30)	0
Park Management	(699)	0
Strategy & Partnerships	(223)	0
	(63)	0
	<u>(4,559)</u>	<u>(166)</u>
<b>2015/16</b>		
Executive Board & Legal Resources	(57)	0
Commercial Services	(211)	0
People & Communications	(3,219)	(72)
Development Management	(29)	0
Park Management	(623)	0
Strategy & Partnerships	(215)	(21)
	(32)	0
	<u>(4,386)</u>	<u>(93)</u>

## 9. Expenditure and Income Analysed by Nature

2015/16 £000s	2016/17 £000s
<b>Expenditure</b>	
6,002 Employee benefits expenses	6,389
3,852 Other service expenses	4,460
591 Depreciation, amortisation and revaluation	656
23 Loss on disposal of investment properties	0
0 Change in fair value of investment properties	37
426 Interest payments	398
10,894	11,940
<b>Income</b>	
(4,872) Fees, charges and other service income	(5,092)
(5,871) Government grants and contributions	(5,971)
(103) Gain on disposal of non-current assets	(29)
0 Gain on disposal of investment properties	(478)
(108) Change in fair value of investment properties	
(6) Interest & investment income	(9)
(10,960)	(11,579)
(66) (Surplus) / Deficit on Provision of Services	361

**10. Movement in Reserves Statement - Adjustments between accounting basis and funding basis under regulations**

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

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

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

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

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

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>			
<b>Amounts by which income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</b>			
Pension costs (transferred to (or from) the Pensions Reserve			
Net Charges for Retirement Benefits in accordance with IAS 19	(1,385)		
Employers Contributions payable to the Pension Fund	861		
Holiday Pay (transferred to the Accumulated Absences Reserve	(42)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (items charged to the Capital Adjustment Account)			
Depreciation on non-current assets	(458)		
Amortisation of Intangible Assets	(12)		
Revaluation losses on Property, Plant & Equipment	(186)		
Movement on the fair value of Investment Properties	(37)		
Amount written out as part of the gain/loss on disposal of non-current assets and investment properties	(1,467)		
Capital Grants and Contributions	113		(113)
<b>Total Adjustments to Revenue Resources</b>	<b>(2,613)</b>	<b>0</b>	<b>(113)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,045	(2,045)	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(82)	82	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	21		
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>1,984</b>	<b>(1,963)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of Capital Receipts Reserve to finance capital expenditure		636	
Application of capital grants to finance capital expenditure			224
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>636</b>	<b>224</b>
<b>Total Adjustments</b>	<b>(629)</b>	<b>(1,327)</b>	<b>111</b>

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>			
<b>Amounts by which income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</b>			
Pension costs (transferred to (or from) the Pensions Reserve			
Net Charges for Retirement Benefits in accordance with IAS 19	(1,461)		
Employers Contributions payable to the Pension Fund	819		
Holiday Pay (transferred to the Accumulated Absences Reserve)	22		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (items charged to the Capital Adjustment Account)			
Depreciation & impairment on non-current assets	(492)		
Amortisation of Intangible Assets	(14)		
Revaluation gains on Property, Plant & Equipment	(85)		
Movement on the fair value of Investment Properties	108		
Amount written out as part of the gain/loss on disposal of non-current assets	(175)		
Capital Grants and Contributions	333		(333)
<b>Total Adjustments to Revenue Resources</b>	<b>(945)</b>	<b>0</b>	<b>(333)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	245	(245)	
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(9)	9	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	24		
<b>Total Adjustments between Revenue &amp; Capital Resources</b>	<b>260</b>	<b>(236)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of Capital Receipts Reserve to finance capital expenditure		230	
Application of capital grants to finance capital expenditure			101
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>230</b>	<b>101</b>
<b>Total Adjustments</b>	<b>(685)</b>	<b>(6)</b>	<b>(232)</b>

## 11. 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. One other employee earned more than £50,000 in 2016/17 in the range £50,000 - £55,000. No other employees earned more than £50,000 in 2015/16.

Job Title	Salary		Total Compensation		Total
	including	Expense	for Loss	Employers	Remuneration
	Allowances	Allowances	of	Pension	Including
	£	£	Office	Contribs.	Pension
			£	£	Contribs.
					£
<b>2016/17</b>					
Chief Executive	90,549	0	0	11,047	101,596
Direcot of Sustainable Development	66,837	0	0	8,154	74,991
Director of Communications & Resources	67,458	0	0	8,268	75,726
	<b>224,844</b>	<b>0</b>	<b>0</b>	<b>27,469</b>	<b>252,313</b>
<b>2015/16</b>					
Chief Executive	89,085	0	0	10,868	99,953
Direcot of Sustainable Development	66,078	0	0	8,061	74,139
Director of Communications & Resources	65,883	0	0	8,074	73,957
	<b>221,046</b>	<b>0</b>	<b>0</b>	<b>27,003</b>	<b>248,049</b>

There were no significant exit packages agreed in year.

## 12. 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 2016/17 to members and independent persons appointed by the Authority to comply with its obligations under the Localism Act 2011 are as follows:

	Notes	Allowances		Travel &	Total
		Basic	Responsibility	Subsistence	
		£	£	£	£
<b>Appointed by Cumbria County Council</b>					
Clarkson	N	3,000	0	1,499	4,499
Collins	S (b)	1,825	0	0	1,825
Bland	J	3,000	0	0	3,000
Clark	A	3,000	0	653	3,653
Gray	B (c)	992	0	0	992
Knowles	T	3,000	0	972	3,972
<b>Appointed by South Lakeland District Council</b>					
Hall	D (b)	395	0	147	542
Fletcher	D	3,000	0	0	3,000
Rees	V (c)	2,605	0	39	2,644
<b>Appointed by Allerdale Borough Council</b>					
Jefferson	W	3,000	0	1,452	4,452
<b>Appointed by Eden District Council</b>					
Thompson	J	3,000	0	1,093	4,093
<b>Appointed by Copeland Borough Council</b>					
Branney	H	3,000	0	2,007	5,007
<b>Appointed by the Secretary of State</b>					
Allen	J	3,000	0	2,371	5,371
Barker	J (a)	3,000	4,500	323	7,823
Billinge	C (b)	0	0	268	268
Cumberlidge	N	3,000	0	2,228	5,228
Curl	S	3,000	0	0	3,000
Davies	G	3,000	0	257	3,257
Barr	C (b)	1,581	0	884	2,465
Farmer	J	3,000	0	752	3,752
MacInnes	M	3,000	0	1,165	4,165
McKinley	M (a)	3,000	6,000	4,668	13,668
<b>Appointed by the Lake District National Park Authority</b>					
Tweddle	D	150	0	0	150
Southern	A	150	0	118	268

**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)
Mrs J Barker	£4,500 (Deputy Chairman)

- (b) The following members left the Authority during 2016/17.

Mr C Billinge	31 March 2016
Mr S Collins	9 November 2016
Mrs D Hall	18 May 2016
Mr C Barr	10 October 2016

- (c) The following members joined the Authority during 2016/17

Mrs V Rees	19 May 2016
------------	-------------

Comparative figures for 2015/16 are shown below:

2015/16 £000		2016/17 £000
69	Allowances	66
24	Expenses	21
<u>93</u>		<u>87</u>

### 13. 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 2016/17 are detailed in note 15 to the Financial Statements.
- **Members** – Members of the Authority have direct control over the Authority's financial and operating policies. Members allowances paid in 2016/17 are detailed in note 12 to the Financial Statements. Ten of the Authority's members are 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 J Farmer is vice chairman and treasurer of Cumbria Wildlife Trust who received grants of £3,960 as part of the Rusland Horizons project. Mr. M. MacInnes is chairman of Barton Parish Council who received Communities Fund grants of £4,350. These members did not take part in the decision making process to award the grants. Mr S Curl is chairman of the management board of the National Parks Partnership LLP who received £10,000 from each of the National Parks (including this Authority) in 2016/17.

Related Party	Business Rates £000	Other Payments £000	Income £000	Owed To £000	Owed From £000
Allerdale Borough Council	17	1	18	0	1
Copeland Borough Council	9	11	8	10	7
Cumbria County Council	0	105	325	16	121
Eden District Council	24	1	1	0	0
South Lakeland District Council	284	59	37	17	5
<b>Total</b>	<b>334</b>	<b>177</b>	<b>389</b>	<b>43</b>	<b>134</b>

Comparative figures for 2015/16 are shown below:

Related Party	Business Rates £000	Other Payments £000	Income £000	Owed To £000	Owed From £000
Allerdale Borough Council	25	6	5	0	1
Copeland Borough Council	9	1	9	0	2
Cumbria County Council	0	75	775	6	127
Eden District Council	29	2	2	0	0
South Lakeland District Council	324	32	32	17	24
<b>Total</b>	<b>387</b>	<b>116</b>	<b>823</b>	<b>23</b>	<b>154</b>

- Officers** - 51 managers of the Authority were asked to declare any direct financial relationship through outside bodies or companies with the Authority for the financial year 2016/17. The Authority's Chief Executive Officer is a trustee of Nurture Lakeland and the Director of Communications and Resources is on the board of Cumbria Tourism, the Lake District China Forum and Cumbria's Living Heritage. Details of the Authority's transactions with these organisations in 2016/17 are listed in the table below. One officer, Mr D Coxon, who has now left the Authority, is owner of Lakes Loos Ltd, a company that provides toilet hire and servicing for the Authority to the value of £10,000 in 2016/17. The officer took no part in the procurement process for these services. Another officer, Mr M Eaves, who works part time for the Authority was commissioned to do some fabrication work to the value of £6,550. The work was not tendered outside of the Authority due to the urgency of the work and the lack of availability of other contractors to do the work. The husband of another officer, Mrs C Johnson, was contracted to do a piece of consultancy work worth £8,850. The officer took no part in the tender process to award the contract.

Related Party	Payments £000	Income £000	Payment details include
Nurture Lakeland	12	53	£10k contribution to core funding, £2k grant for accomodation, £53k fundraising income for Fix the Fells
Cumbria Tourism	16	0	£10k partnership contribution, £6k for other services
Lakes China Forum	2	0	Membership contribution
Cumbria's Living Heritage	1	0	Membership contribution

Comparative figures for 2015/16 are shown below:

Related Party	Payments £000	Income £000	Payment details include
Nurture Lakeland	15	85	£15k contribution to core funding, £85k fundraising income for Fix the Fells
Cumbria Tourism	17	0	£9k partnership contribution, £8k for other services
Lakes China Forum	2	0	Membership contribution
Cumbria's Living Heritage	1	0	Membership contribution

- Details of Members disclosable pecuniary interests are available on the LDNPA website ([www.lakedistrict.gov.uk](http://www.lakedistrict.gov.uk)) 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 33 to the Financial Statements.

#### 14. Financing and Investment Income and Expenditure

2015/16			2016/17		
Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	Net Exp £000
1,596	(1,170)	426	1,700	(1,302)	398
0	(6)	(6)	0	(9)	(9)
89	(220)	(131)	1,579	(2,084)	(505)
<b>1,685</b>	<b>(1,396)</b>	<b>289</b>	<b>3,279</b>	<b>(3,395)</b>	<b>(116)</b>
		<b>Total</b>			

#### 15. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

	2015/16 £000	2016/17 £000
<b>Non Specific Grant Income</b>		
National Park Grant	5,219	5,284
Capital Grants & Contributions		
NFU Insurance reimbursements	333	81
Rural Payments Agency	0	25
Heritage Lottery	0	7
	<b>5,552</b>	<b>5,397</b>

	2015/16 £000	2016/17 £000
<b>Specific Grant Income</b>		
Heritage Lottery	115	403
Rural Payments Agency	0	121
Arts Council	85	82
Cumbria County Council	188	68
Friends of the Lake District	0	44
Dept Communities and Local Government	55	35
Duddon Valley Local History Group	0	29
Imperial War Museums	59	28
South Lakeland District Council	5	25
British Mountaineering Council	0	24
Natural England	11	23
Nurture Lakeland	0	17
Allerdale BC	13	13
Caldbeck Commons Fund	56	11
United Utilities	1	10
Bowland Charitable Trust	0	10
Copeland Borough Council	9	7
National Trust	17	6
Historic England	25	0
Forestry Commission	22	0
Other Grants & Contributions less than £10,000	31	62
	<b>692</b>	<b>1,018</b>

The Authority has received no grant income that it has yet to recognise.

#### 16. Other Comprehensive Income and Expenditure

2015/16 £000	2016/17 £000
(138) (Surplus) or deficit on revaluation of property, plant & equipment	(486)
77 Impairment losses on non-current assets charged to the revaluation reserve	0
(2,376) Remeasurements of the defined benefit liability	5,753
<b>(2,437) Total Other Comprehensive Income &amp; Expenditure</b>	<b>5,267</b>

#### 17. Disclosure of External Audit Costs

In 2016/17 the Authority incurred the following fees relating to external audit and inspection:

	2015/16 £	2016/17 £
Fees payable for external audit services carried out by the appointed auditor	15,058	15,058
Fees payable in respect of other services provided	3,000	1,000
<b>Total Audit Costs</b>	<b>18,058</b>	<b>16,058</b>

The fees for other services relate to VAT consultancy work in 2016/17 & 2015/16.

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

The table below sets out the transactions relating to Property, Plant and Equipment in 2016/17.

	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	
<b>Cost or Valuation</b>								
Valuation as at 1 April 2016	9,763	1,697	397	89	18	0	111	12,075
Additions	416	146	82	0	95	89	0	828
Revaluation increases/(decreases) recognised in Revaluation Reserve	211	(9)	0	0	0	0	148	350
Revaluation increases/(decreases) recognised in Surplus /Deficit on Provision of Services	(222)	(12)	0	0	(95)	0	0	(329)
Derecognition - disposals	(134)	(28)	(44)	0	0	0	0	(208)
Reclassification	(120)	0	0	0	(2)	120	(17)	(19)
<b>Valuation as at 31 March 2017</b>	<b>9,914</b>	<b>1,794</b>	<b>435</b>	<b>89</b>	<b>16</b>	<b>209</b>	<b>242</b>	<b>12,699</b>
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2016	430	683	228	13	0	0	8	1,362
Depreciation Charge to I&E 16/17	190	214	51	3	0	0	0	458
Depreciation on Disposals	(15)	(25)	(44)	0	0	0	0	(84)
Depreciation written out to Revaluation Reserve	(123)	(13)	0	0	0	0	0	(136)
Depreciation written out to Surplus / Deficit on Provision of Services	(31)	(9)	0	0	0	0	0	(40)
Reclassification	(5)	0	0	0	0	5	0	0
<b>Accumulated Dep'n at 31 March 2017</b>	<b>446</b>	<b>850</b>	<b>235</b>	<b>16</b>	<b>0</b>	<b>5</b>	<b>8</b>	<b>1,560</b>
<b>Impairments</b>								
Accumulated Impairment 1 April 2016	368	17	0	0	0	0	1	386
Impairment recognised in Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment recognised in Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0	0
Impairment written out to Surplus / Deficit on Provision of Services	(102)	0	0	0	0	0	0	(102)
Impairment on Disposals	(91)	0	0	0	0	0	0	(91)
Reclassification	(115)	0	0	0	0	115	0	0
<b>Accumulated Impairments at 31 March 2017</b>	<b>60</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115</b>	<b>1</b>	<b>193</b>
<b>Net Book Value at 31 March 2017</b>	<b>9,408</b>	<b>927</b>	<b>200</b>	<b>73</b>	<b>16</b>	<b>89</b>	<b>233</b>	<b>10,946</b>
<b>Net Book Value at 31 March 2016</b>	<b>8,965</b>	<b>997</b>	<b>169</b>	<b>76</b>	<b>18</b>	<b>0</b>	<b>102</b>	<b>10,327</b>
<b>Revaluation Summary</b>								
Revaluation Gains / (Losses)	(11)	(21)	0	0	(95)	0	148	21
Revaluation – Written Out Dep'n	154	22	0	0	0	0	0	176
Revaluation - Written out Impairment	103	0	0	0	0	0	0	103
<b>Total Revaluation</b>	<b>246</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>(95)</b>	<b>0</b>	<b>148</b>	<b>300</b>
<b>Nature of Asset holding</b>								
Owned	9,408	927	200	73	16	89	233	10,946
	<b>9,408</b>	<b>927</b>	<b>200</b>	<b>73</b>	<b>16</b>	<b>89</b>	<b>233</b>	<b>10,946</b>

The comparative movements in 2015/16 are shown below:

	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	
<b>Cost or Valuation</b>								
Valuation as at 1 April 2015	9,693	1,748	597	112	23	0	6	12,179
Additions	157	119	30	0	25	0	0	331
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	(21)	0	0	0	0	101	80
Revaluation increases/(decreases) recognised in Surplus /Deficit on Provision of Services	(87)	(40)	0	0	(25)	0	0	(152)
Derecognition - disposals	0	(106)	(223)	(23)	(5)	0	(6)	(363)
Reclassification	0	(3)	(7)	0	0	0	10	0
<b>Valuation as at 31 March 2016</b>	<b>9,763</b>	<b>1,697</b>	<b>397</b>	<b>89</b>	<b>18</b>	<b>0</b>	<b>111</b>	<b>12,075</b>
<b>Depreciation</b>								
Accumulated Dep'n at 1 April 2015	310	579	396	11	0	0	6	1,302
Depreciation Charge to I&E 15/16	190	208	52	4	0	0	0	454
Depreciation on Disposals	0	(51)	(213)	(2)	0	0	(6)	(272)
Depreciation written out to Revaluation Reserve	(37)	(21)	0	0	0	0	0	(58)
Depreciation written out to Surplus/Deficit on Provision of Services	(33)	(31)	0	0	0	0	0	(64)
Reclassification	0	(1)	(7)	0	0	0	8	0
<b>Accumulated Dep'n at 31 March 2016</b>	<b>430</b>	<b>683</b>	<b>228</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>1,362</b>
<b>Impairments</b>								
Accumulated Impairment 1 April 2015	253	24	0	0	0	0	0	277
Impairment recognised in Revaluation Reserve	77	0	0	0	0	0	0	77
Impairment recognised in Surplus/Deficit on Provision of Services	38	0	0	0	0	0	0	38
Impairment written out to Surplus/Deficit on Provision of Services	0	(3)	0	0	0	0	0	(3)
Impairment on Disposals	0	(3)	0	0	0	0	0	(3)
Reclassification	0	(1)	0	0	0	0	1	0
<b>Accumulated Impairments at 31 March 2016</b>	<b>368</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>386</b>
<b>Net Book Value at 31 March 2016</b>	<b>8,965</b>	<b>997</b>	<b>169</b>	<b>76</b>	<b>18</b>	<b>0</b>	<b>102</b>	<b>10,327</b>
<b>Net Book Value at 31 March 2015</b>	<b>9,130</b>	<b>1,145</b>	<b>201</b>	<b>101</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>10,600</b>
<b>Revaluation Summary</b>								
Revaluation Gains / (Losses)	(87)	(61)	0	0	(25)	0	101	(72)
Revaluation – Written Out Dep'n	70	52	0	0	0	0	0	122
Revaluation – Written Out Impairment	0	3	0	0	0	0	0	3
<b>Total Revaluation</b>	<b>(17)</b>	<b>(9)</b>	<b>0</b>	<b>0</b>	<b>(25)</b>	<b>0</b>	<b>0</b>	<b>53</b>
<b>Nature of Asset holding</b>								
Owned	8,965	997	169	76	18	0	102	10,327
	<b>8,965</b>	<b>997</b>	<b>169</b>	<b>76</b>	<b>18</b>	<b>0</b>	<b>102</b>	<b>10,327</b>

## 19. Bases of Valuation

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

Valuations are carried out through a rolling five-year revaluation programme with all assets being re-valued at intervals of five years or less. The valuations are carried out by Mr. T. Hargraves FRICS, Director of Hyde Harrington Ltd and Mr. P. Evans MRICS, Associate Director of Hyde Harrington Ltd. in compliance with the guidance notes provided by the Royal Institute of Chartered Surveyors. Valuations of our different types of asset have been carried out as follows:

- All holdings of land and buildings were revalued at 31 March 2014
- All car parks and our Northern Office were revalued at March 2015
- All toilets and Coniston Boating Centre were revalued at 31 March 2016
- All information centres were revalued by Hyde Harrington Ltd. as at 31 March 2017 along with Brockhole Visitor Centre. They also provided a report confirming that there were no changes in market conditions during 2016/17 that would give rise to a material change in the valuations reported at 31 March 2016.

All operational assets other than land and buildings were valued by managers within the Authority at 31 March 2017. 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

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

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

The fair value for all four of the Authority's surplus assets, which are all land assets, has been determined using level 2 of the above hierarchy. One of these assets has been categorised as held for sale as it meets 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 surplus assets, the highest and best use of the properties is their current use.

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 2015/16	Type of Asset	Number Held 2016/17
98	Land and Buildings	97
133	Vehicles, Boats & Other Plant	141
49	Computer and General Office Equipment	49
34	Community Assets (land holdings)	34
<b>314</b>		<b>321</b>

## 20. Capital Expenditure

Capital Expenditure in 2016/17 was financed as follows:

		2015/16	2016/17
		£000	£000
<b>Land and Buildings</b>			
	Office Improvements	34	0
	Information Centre works	31	198
	Brockhole Improvements	52	288
	Toilets	15	1
	Boating Centre Jetty	25	0
		<u>157</u>	<u>487</u>
<b>Community Assets</b>			
	Greenside Mines	25	94
<b>Investment Properties</b>			
	Property Repairs	0	26
	Jetty Repairs	24	12
		<u>24</u>	<u>38</u>
<b>Vehicles and Plant</b>			
	Vehicles	14	61
	Boats	28	24
	Plant	77	81
		<u>119</u>	<u>166</u>
<b>Equipment</b>			
	Computer Equipment	17	56
	Car Park Signage	13	0
	Brockhole Equipment	0	14
	Boat Equipment	0	6
	Vehicle Equipment	0	6
		<u>30</u>	<u>82</u>
<b>Intangible Assets</b>			
	Software & electronic images	0	14
<b>Total Capital Expenditure to be Financed</b>		<u><u>355</u></u>	<u><u>881</u></u>
<b>Financing used</b>			
	Useable Capital Receipts	230	636
	Capital Grants & Contributions	101	224
	Direct Revenue Financing	24	21
<b>Total Financing</b>		<u><u>355</u></u>	<u><u>881</u></u>
<b>Remaining Capital Financing Requirement</b>		<u><u>0</u></u>	<u><u>0</u></u>

## 21. Investment Property

2015/16 £000s	2016/17 £000s
<b>4,767</b> Opening Balance of Investment Property	<b>4,883</b>
24 Additions	38
(16) Disposals	(1,436)
108 Net gains or (losses) from fair value adjustments	(37)
0 Reclassification as Held for Sale	(117)
<b>4,883</b> Closing Balance of Investment Property	<b>3,331</b>

The Authority's investment property assets were revalued as at 31 March 2017 as detailed in note 19. The additions during 2016/17 relate to repairs to one of the jetties and a former information centre damaged during the floods. The market remained stable during 2016/17 resulting in only minor adjustments to value.

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 16			Fair value as at 31 March 17		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Commercial Properties	761	0	761	761	0	761
Woodlands	2,455	0	2,455	2,202	0	2,202
Farms	302	0	302	303	0	303
Hostels / Residential	750	615	1,365	0	65	65
<b>Total</b>	<b>4,268</b>	<b>615</b>	<b>4,883</b>	<b>3,266</b>	<b>65</b>	<b>3,331</b>

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

#### Significant observable inputs – Level 2

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

#### Significant unobservable input – Level 3

The fair value for our remaining hostel type asset has also been based on the market approach using current market conditions. However, as detailed below, the fair value has been assessed using adjustments based on the valuer's judgement alone and which are outside established practices.

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

There were no gains or losses resulting from changes in the fair value of assets categorised as level 3 in the above table in 2016/17. 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:

2015/16 £000	2016/17 £000
<b>542 Opening Balance</b>	<b>615</b>
73 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	(550)
<b>615 Closing Balance</b>	<b>65</b>

As the valuation technique used to measure the fair value of the assets categorised as level 3 is based on current market conditions, significant changes to the market would result in significantly lower or higher values. In assessing the fair value of the one remaining property categorised as level 3, the valuer has made judgements about the percentage split of the vacant possession market value over land and buildings which could cause the value to vary by up to 10% (£6,500) depending on the accuracy of his assessment.

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

2015/16 £000	2016/17 £000
(96) Rental income from investment property	(78)
(16) Other income from investment property	(11)
27 Direct operating expenses from investment property that generated rental income during the period	3
39 Direct operating expenses from investment property that did not generate rental income during the period	22
<b>(46) Net Income from Investment property</b>	<b>(64)</b>

The Authority has contractual responsibility for landlord's repairs and maintenance expenditure on six 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, valued at £271,000, 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 office equipment financed under the terms of operating leases. The amount paid under these arrangements in 2016/17 was £7,700 (2015/16 £12,600). It also uses land and buildings financed under the terms of operating leases. The amount paid under these arrangements in 2016/17 was £160,200 (2015/16 £138,100). Of this expenditure £69,300 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 2016 £000	31 March 2017 £000
Not later than one year	74	79
Later than one year and not later than five years	193	209
Later than five years	427	379
<b>Total</b>	<b>694</b>	<b>667</b>

### Lessor Operating Leases

The Authority has granted use of a number of its properties under operating leases. The income gained under these arrangements in 2016/17 was £237,700 (2015/16 £255,800). 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	4,366	172
Investment properties	1,031	0
<b>Total</b>	<b>5,397</b>	<b>172</b>

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

	Restated 31 March 2016 £000	31 March 2017 £000
Not later than one year	96	150
Later than one year and not later than five years	257	356
Later than five years	360	312
<b>Total</b>	<b>713</b>	<b>818</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £88,000 contingent rents were receivable by the Authority (2015/16 £90,600).

## 23. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The Authority has no material financial assets carried at fair value. 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 2017

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

	Restated			
	31 March 2016		31 March 2017	
	Carrying	Fair	Carrying	Fair
	amount	Value	amount	Value
	£000	£000	£000	£000
Financial liabilities - short term creditors				
Financial liabilities carried at contract amount	849	849	813	813
<b>Total included in Creditors</b>	<b>849</b>	<b>849</b>	<b>813</b>	<b>813</b>
Financial assets - short term debtors and cash				
Loans and Receivables	3,825	3,825	5,543	5,543
<b>Total included in Current Assets</b>	<b>3,825</b>	<b>3,825</b>	<b>5,543</b>	<b>5,543</b>

## 24. 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 2016/17 was £6,294,000 (£4,340,000 2015/16).

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, £77,400 of the £226,370 customer balances at 31 March 2017 was past due. The past due element can be analysed as follows:

31 March 2016 £000	Days Past Due	31 March 2017 £000
10	31 – 60 days	4
30	61 – 90 days	42
0	91 – 120 days	2
4	Over 120 days	29
<u>44</u>	<b>Total</b>	<u>77</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 2017 shows that the allowance for impairment of bad debts of £11,500 is adequate to cover any anticipated credit risk for 2017/18. No debts were written off in 2016/17.

## 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 2017 there are no financial liabilities other than trade creditors, which are expected to be paid within 1 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 2016/17 the Authority received £8,700 in interest income (£6,600 in 2015/16). Had interest rates been 1% higher during the period, the income received would have been £54,600. 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.

## 25. Cash and Cash Equivalents

Restated 31 March 2016 £000		31 March 2017 £000
8	Cash held	8
2,824	Bank accounts	3,641
30	Money Market Funds	1,030
<u>2,862</u>	<b>Total</b>	<u>4,679</u>

## 26. Short Term Debtors and Prepayments

31 March 2016 £000		31 March 2017 £000
(10)	<b>Impairment for Bad Debts</b>	(11)
	<b>Prepayments &amp; Accrued Income</b>	
16	Local Authorities	12
101	Other	93
	<b>Debtors</b>	
84	Government Departments	397
198	Local Authorities	134
714	Other	405
<u>1,103</u>		<u>1,030</u>

## 27. Short Term Creditors and Receipts in Advance

31 March 2016 £000		31 March 2017 £000
	<b>Income in Advance</b>	
(28)	Other	(61)
	<b>Creditors</b>	
(93)	Government Departments	(119)
(107)	Local Authorities	(137)
(738)	Other	(683)
<u>(966)</u>	<b>Total Creditors</b>	<u>(1,000)</u>

## 28. Nature and Purpose of Reserves

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

### *Usable, cash-backed reserves*

#### **General Reserve**

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

#### **Capital Receipts Reserve**

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

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

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

#### **Earmarked Reserves**

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

Ring-fenced Funds Reserve	Used to set aside small amounts of funding allocated for specific purposes and projects running between years
External Grants Reserve	To hold external grant monies until the time they are used to support service delivery
Organisational Development Reserve	Held to support organisational change and development programmes
Inquiry Reserve	Held to meet only the exceptional public enquiry costs (formerly the Local Development Framework Reserve)
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
Transport Reserve	Held to support transport initiatives in line with the Vision and Partnership Plan
Investing in Our Future Reserve	Held to provide funding to invest in new initiatives that can deliver additional financial contribution and / or improvements in direct delivery (formerly the Investing in Priorities Reserve)
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
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
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
Partnership Payback & Sustainable Events Reserve	Held to support initiatives that explore the potential to generate income from outdoor recreational events and develop accreditation and management systems for sustainable event provision and income generation
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

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

### ***Unusable, non cash-backed reserves***

#### **Capital Adjustment Account**

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

#### **Pension Reserve**

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

#### **Revaluation Reserve**

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

#### **Accumulated Absences Account**

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

## Deferred Capital Receipts Reserve

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

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

### 29. Summary of Movement on Reserves

Description	Balance at 1-April 2015 £000	Gains/ (losses) in period £000	Transfers to/(from) reserves £000	Balance 31 March 2016 £000	Gains/ (losses) in period £000	Transfers to/(from) reserves £000	Balance 31 March 2017 £000
<b>Usable Reserves - held for capital purposes</b>							
Useable Capital Receipts Reserve	22	0	6	28	0	1,327	1,355
Capital Grants Unapplied Reserve	14	0	232	246	0	(111)	135
Earmarked Reserves							
Capital Support Fund	364	0	(22)	342	0	184	526
<b>Usable Reserves - held for revenue purposes</b>							
Earmarked Reserves							
Ring-fenced Funds Reserve	324	0	(46)	278	0	60	338
External Grants Reserve	335	0	36	371	0	(168)	203
Organisational Dev't Reserve	86	0	(49)	37	0	(6)	31
Inquiry Reserve	95	0	(25)	70	0	137	207
Climate Change Reserve	41	0	(14)	27	0	2	29
Windermere Registration Reserve	1	0	0	1	0	0	1
Lake District Communities Fund	69	0	(21)	48	0	(12)	36
Transport Reserve	48	0	(48)	0	0	0	0
Investing for our Future	38	0	234	272	0	128	400
PPA Support Reserve	20	0	25	45	0	0	45
Partnership Priorities Reserve	246	0	128	374	0	(13)	361
Fix the Fells Reserve	47	0	(2)	45	0	54	99
Partnership Payback Reserve	19	0	(14)	5	0	(5)	0
Post Contract Works Reserve	40	0	(3)	37	0	(17)	20
Public Rights of Way Reserve	0	0	65	65	0	96	161
<b>Total Earmarked Reserves</b>	<b>1,773</b>	<b>0</b>	<b>244</b>	<b>2,017</b>	<b>0</b>	<b>440</b>	<b>2,457</b>
General Reserve	668	0	507	1,175	0	(172)	1,003
<b>Total Usable Reserves</b>	<b>2,477</b>	<b>0</b>	<b>989</b>	<b>3,466</b>	<b>0</b>	<b>1,484</b>	<b>4,950</b>
<b>Unusable Reserves</b>							
Revaluation Reserve	1,465	61	(48)	1,478	486	(102)	1,862
Capital Adjustment Account	14,021	0	(255)	13,766	0	(1,177)	12,589
Pension Reserve	(13,314)	2,376	(642)	(11,580)	(5,753)	(524)	(17,857)
Accumulated Absences Account	(129)	0	22	(107)	0	(42)	(149)
Deferred Capital Receipts	13	0	0	13	0	0	13
<b>Total Reserves</b>	<b>4,533</b>	<b>2,437</b>	<b>66</b>	<b>7,036</b>	<b>(5,267)</b>	<b>(361)</b>	<b>1,408</b>

### 30. Revaluation Reserve

The purpose of the Revaluation Reserve is to record the amount by which the current value of fixed assets in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. The balance on the Revaluation Reserve at 31 March 2017 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.

2015/16		Reserve Movements	2016/17	
£000	£000		£000	£000
	<b>(1,465)</b>	<b>Balance at 1 April</b>		<b>(1,478)</b>
(138)		Revaluations (gains) / losses	(486)	
<u>77</u>		Impairments	<u>0</u>	
	(61)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(486)
42		Difference between fair value depreciation and historic cost depreciation	34	
<u>6</u>		Disposals	<u>68</u>	
	48			102
	<b><u>(1,478)</u></b>	<b>Balance at 31 March</b>		<b><u>(1,862)</u></b>

### 31. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings to the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

2015/16		Reserve Movements	2016/17	
£000	£000		£000	£000
	<b>(14,021)</b>	<b>Balance at 1 April</b>		<b>(13,766)</b>
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
468		Depreciation / Amortisation charge for the year	470	
123		Impairments / revaluation losses (gains) for the year	186	
169		Disposal of assets	1,399	
	760			2,055
	(42)	Adjusting amounts written out of the Revaluation Reserve		(34)
	718	Net written out amount of the cost of non-current assets consumed in the year		2,021
	(355)	Capital Financing		(881)
	(108)	Change in fair value of investment properties		37
	<b>(13,766)</b>	<b>Balance at 31 March</b>		<b>(12,589)</b>

### 32. 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.

2015/16		Reserve Movements	2016/17	
£000	£000		£000	£000
	<b>13,314</b>	<b>Deficit at 1 April</b>		<b>11,580</b>
		Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		
987		Current Service Cost	947	
28		Curtailment & Past Service Cost	14	
20		Administration expenses	26	
<u>426</u>		Net Interest Cost	<u>398</u>	
	1,461			1,385
	(819)	Employer Contributions		(861)
	(2,376)	Remeasurements of the defined benefit liability / (asset)		5,753
	<u>11,580</u>	<b>Deficit at 31 March</b>		<u>17,857</u>

### 33. 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 2017 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 took place on 31 March 2016 and at that date showed a funding level of 91% (assets of £2.05 billion against accrued liabilities of about £2.26 billion). The duration of the liabilities for the individual employers who participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

#### Governance and Risk Management

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

- Nature of the Scheme

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

- **Governance**

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

- **Funding the Liabilities**

Regulations governing the Scheme require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Scheme's solvency, and the detailed provisions are set out in the Scheme's Funding Strategy Statement. The most recent available valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £0.21 billion as at that date, equivalent to a funding level of 91%. The fund's employers are paying additional contributions over an average period of 16 years in order to meet the shortfall. The weighted average duration of the Authority's defined benefit obligation is 19 years, measured on the actuarial assumptions used for IAS19 purposes.

- **Risk and Investment Strategy**

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

- **Market Risk**

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

investment managers and regularly reviewing the Investment Strategy and performance of the Scheme.

- **Interest Rate Risk**

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

- **Foreign Exchange Risk**

The Scheme holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. To reduce the volatility from foreign currency exposure, the Cumbria Scheme has 50% of the 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. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

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

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

## Transactions Relating to Post-Employment benefits

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

Revenue Transactions	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Service lines - Current service cost	987	947	0	0
Service lines - Administrative expenses	20	26	0	0
Non Distributed Costs - Curtailment and past service costs	28	14	0	0
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
Net interest expense	388	359	38	39
<b>Total Post-employment benefits charged to Surplus or Deficit on the Provision of Services</b>	<b>1,423</b>	<b>1,346</b>	<b>38</b>	<b>39</b>
<b>Other Comprehensive Income &amp; Expenditure</b>				
Remeasurements of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in net interest)	511	(7,364)	0	
Actuarial (gains) & losses due to changes in demographic assumptions	0	(462)	0	(5)
Actuarial (gains) & losses due to changes in financial assumptions	(2,848)	13,508	(39)	186
Experience (gains) and losses on liabilities	0	(138)	0	28
<b>Total Post-employment benefits charged to Comprehensive Income &amp; Expenditure Statement</b>	<b>(914)</b>	<b>6,890</b>	<b>(1)</b>	<b>248</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits	(1,423)	(1,346)	(38)	(39)
<b>Amount charged to General Reserve balance for pensions in year</b>				
Employer's contributions payable to scheme	751	797	68	64

## Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans as at 31 March 2017 is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	Restated		2015/16	2016/17
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Present value of the defined benefit obligation	46,558	61,188	1,113	1,297
Fair value of plan assets	(36,091)	(44,628)	0	0
Up front deficit recovery payment for 16/17	(258)	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>10,209</b>	<b>16,560</b>	<b>1,113</b>	<b>1,297</b>

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	Restated		2015/16	2016/17
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
<b>Opening fair value of scheme assets</b>	<b>35,442</b>	<b>36,091</b>	<b>0</b>	<b>0</b>
Interest income	1,170	1,302	0	0
Administration expenses	(20)	(26)	0	0
Remeasurement gain / (loss) on the return on plan assets	(511)	7,364	0	0
Employer Contributions	774	797	68	64
Member Contributions	276	291	0	0
Benefits / transfers paid	(1,040)	(1,191)	(68)	(64)
<b>Closing balance as at 31 March</b>	<b>36,091</b>	<b>44,628</b>	<b>0</b>	<b>0</b>

The actual return on scheme assets in the year was £6,890,000; (2015/16: £659,000)

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

The liabilities show the underlying commitments that the Authority has in the long-term to pay retirement benefits. The total net liability of £17.9 million has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, arrangements are in place for funding the deficit and, based on the latest valuation, the financial position of the Fund is improving year on year.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Opening balance as at 1 April</b>	<b>(47,597)</b>	<b>(46,558)</b>	<b>(1,182)</b>	<b>(1,113)</b>
Current Service Cost	(987)	(947)	0	0
Interest Cost	(1,558)	(1,661)	(38)	(39)
Member Contributions	(276)	(291)	0	0
<i>Remeasurements (gains) and losses</i>				
Actuarial (gains)/losses due to changes in financial assumptions	2,848	(13,508)	39	(186)
Actuarial (gains)/losses due to changes in demographic assumptions	0	462	0	5
Experience (gains)/losses	0	138	0	(28)
Losses/ (gains) on curtailment	(28)	(7)	0	0
Losses/ (gains) on past service cost	0	(7)	0	0
Benefits / transfers paid	1,040	1,191	68	64
<b>Closing balance as at 31 March</b>	<b>(46,558)</b>	<b>(61,188)</b>	<b>(1,113)</b>	<b>(1,297)</b>

**Local Government Pension Scheme assets comprised:**

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

	Quoted	Fair value of scheme assets	
		2015/16 £000	2016/17 £000
<b>Cash and cash equivalents:</b>			
Cash accounts	Y	1,119	1,383
Net current assets	N	36	45
<b>Equities:</b>			
UK quoted	Y	4,765	5,757
Global quoted	Y	6,785	8,970
UK equity pooled	N	1,263	446
Overseas equity pooled	N	5,955	7,498
<b>Bonds:</b>			
UK corporate bonds	Y	2,490	2,812
Overseas corporate bonds	Y	144	134
UK Government indexed pooled	N	6,460	8,702
<b>Property:</b>			
UK	Y	2,779	3,124
Property Funds	N	1,299	1,383
<b>Alternatives:</b>			
Hedge Funds	N	0	0
Private Equity Funds	N	758	1,116
Infrastructure Funds	N	1,985	2,633
Real Estate Debt Funds	N	253	402
Private Debt Fund	N	0	223
<b>Total assets</b>		<b>36,091</b>	<b>44,628</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme and discretionary benefit liabilities have been estimated by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, with estimates for the Cumbria County Council Fund being based on the latest full valuation at 31 March 2016.

The significant assumptions used by the actuary have been:

		Local Government Pension Scheme	
		2015/16	2016/17
<b>Mortality assumptions</b>			
Longevity at 65 for current pensioners			
Men		23.1	23.1
Women		25.7	25.7
Longevity at 65 for future pensioners			
Men		25.9	25.4
Women		28.9	28.4
Rate of inflation		2.00%	2.30%
Rate of increase in salaries		3.50%	3.80%
Rate of increase in pensions		2.00%	2.30%
Rate for discounting scheme liabilities		3.60%	2.50%

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, ie. 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.

Change in assumption	Increase / (decrease) in the Defined Pension Obligation in the £000
Longevity (1 year increase in life expectancy)	1,292
Rate of inflation (increase by 0.1% per annum)	1,184
Rate of increase in salaries (increase of 0.1% per annum)	238
Rate for discounting scheme liabilities (increase by 0.1% per annum)	(1,162)

### 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-line at [www.cumbria.gov.uk/Finance/finance/cumbrialgps.asp](http://www.cumbria.gov.uk/Finance/finance/cumbrialgps.asp)

### **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 is due on 31 March 2019.

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 £1,365,000 to the scheme in 2017/18. This includes a deficit recovery payment of £272,000 for 2017/18, £266,800 for 2018/19 and £261,700 for 2019/20. Paying the deficit recovery payments for 2018/19 and 2019/20 in advance and paying the employers contributions for the year in April will result in net cash savings to the Authority of approximately £87,000 over the three years.

The weighted average duration of the defined benefit obligation for scheme members is 19 years for 2016/17 (19 years (2015/16)). The very mature duration profile has been used to determine these assumptions.

## **34. Events after the Reporting Period**

The Statement of Accounts was authorised for issue on 27 September 2017 by the Director of Communications & Resources. This is the date up to which post balance sheet events have been considered. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about

conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no post balance sheet events to report.

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

The cash flow statement for 2016/17 summarises the inflows and outflows of cash to and from the Authority arising from transactions with third parties for both revenue and capital.

2015/16 £000		2016/17 £000
(66)	(Surplus) / Deficit on the Provision of Services	361
	<b>Adjustments to the net surplus or deficit on the provision of services for non cash movements</b>	
(577)	Depreciation, Impairment & Revaluation charges	(644)
108	Change in fair value of investment properties	(37)
(14)	Amortisation of intangible assets	(12)
(175)	Carrying amount of non-current assets sold	(1,467)
(872)	Movement in pension liability (IAS 19)	(781)
(36)	Increase/(decrease) in inventories	(8)
(104)	Increase/(decrease) in debtors	50
(137)	(Increase)/decrease in creditors	0
10	(Increase)/decrease in impairment for bad debts	(1)
<u>(1,797)</u>		<u>(2,900)</u>
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
236	Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,963
<u>333</u>	Other receipts from investing activities	<u>113</u>
<b>569</b>		<b>2,076</b>
<u><u>(1,294)</u></u>	<b>Net Cash Flow from Operating Activities</b>	<u><u>(463)</u></u>

### 36. Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2015/16 £000	2016/17 £000
5,055	5,450
4,163	5,089
(4,361)	(4,982)
(5,219)	(5,284)
(926)	(727)
(6)	(9)
<b>(1,294)</b>	<b>(463)</b>

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

2015/16 £000	2016/17 £000
<b>Investing Activities</b>	
338	686
Purchase of property plant and equipment, investment property and intangible assets	
(236)	(1,963)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	
0	(77)
Other receipts from investing activities	
<b>102</b>	<b>(1,354)</b>
<b>Net cash flows from investing activities</b>	
<b>0</b>	<b>0</b>
<b>Net cash flows from financing activities</b>	

### 38. Contingent Liability

Under the provisions of the Conservation (Natural Habitats &c) Regulations 1994 the Authority had an obligation to review any planning permissions on Special Area of Conservation sites. The majority of work was undertaken but there are two sites for which a review has only recently been completed. 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 possible to assess the likelihood or amount of any potential compensation payment until the results of these reviews have been analysed. Furthermore, legislative changes since the permissions were granted and the fact that activity on one of the sites is not significant give rise to further options for progress and further uncertainty as to the ultimate course of action. Options for progress may or may not involve the Authority directly and significant further work will need to be undertaken before this can be decided upon.

### 39. Other Significant Transactions

During the floods in December 2015 a number of the Authority's assets were damaged. Whilst most of the equipment assets were replaced by 31 March 2016, repairs to some of the property assets continued into 2016/17.

Insurance related income amounting to £166,000 is included in the Comprehensive Income and Expenditure Statement against the relevant service lines. This income relates to the replacement of smaller items of equipment & sundries, loss of income and a contribution in

relation to Keswick railway footpath. Income relating to the repair of property assets is detailed in note 15. This income has been included in the non-specific grant income line of the Comprehensive Income and Expenditure Statement and then taken to the Capital Grants Unapplied Reserve on the Balance Sheet. Some of it (£15,000) has been used to finance capital spend in 2016/17 with the balance being carried forward to finance the remaining spend on Glenridding Information Centre in 2017/18. As the insurance income relating to Glenridding Information Centre income was actually received in 2017/18 it has been included as a debtor on the balance sheet.

Repair work on Glenridding Information Centre was in progress at 31 March 2017 but not due for completion until May 2017. This asset has therefore been classed as an 'Asset under Construction' and valued at the actual cost of repair work to 31 March in the balance sheet. This is the final repair work to be completed following the 2015 floods. Capital commitments in relation to Glenridding Information Centre amounted to £132,000 as at 31 March.

## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Abbreviations used in the accounts**

BVACOP – Best Value Accounting Code of Practice

CIPFA - Chartered Institute of Public Finance and Accountancy

IFRS – International Financial Reporting Standards

FRS - Financial Reporting Standard

SSAP - Statement of Standard Accounting Practice

SORP - Statement of Recommended Practice

## **ANNUAL GOVERNANCE STATEMENT 2016/17**

### **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 2017 and up to the date of approval of the statement of accounts.

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

During 2016/17 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 2015/16 review and have worked on during 2016/17 are as follows;

- **We have worked through the 2016 staff survey results with our teams and designed appropriate measures to positively respond to any remaining issues**
- **We will continue to successfully manage the implementation of the Organisational Development Strategy - This work is ongoing until its target completion date of March 2018**
- **We will continue to prioritise Project Management upskilling in order to ensure projects are delivered on budget, on time and to the required quality – This work is ongoing until its target completion date of October 2018.**
- **We have worked with our External Auditor to formally conclude the 2014/15 audit of the statement of accounts following an objection from a member of the public**

The review for 2016/17 has been undertaken and the effectiveness of our arrangements is set out below.

#### **4. Governance Arrangements.**

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

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

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

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

The Business Plan 2017-20 is underpinned by a set of supporting strategies and a detailed Service Plans that set out key activities and measures for each outcome theme in the Business Plan. The Business Plan forms the basis of quarterly performance reports received by the Resources Committee.

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

Performance within services is measured monthly against Performance Management Indicators, which in turn feed into Service Plans monitored by the Strategic Leadership Team. However, in some areas, performance measures need to be more clearly focussed. To provide better quality data for business decision making, we are particularly looking to improve our commercial performance indicators as part of our drive to improve commerciality across the organisation.

**Significant Governance Issue: Deliver and embed improved commerciality in the organisation through improving commercial performance measures.**

#### **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 compliment 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.

Our Organisational Development Strategy is the principle means by which we develop skills and capacity within the organisation. We will continue to implement our Organisational Strategy to provide staff with the right skills to deliver our business objectives. Over the course of the next year we need to strengthen our management arrangements around equalities legislation to ensure we fulfil our obligations to promote social inclusion as a public body. As part of our Organisational Development Programme we will re-instate our Equalities Group to promote service accessibility and inclusion and develop a plan with them to enhance our policies and services as required. We will also update our Equalities Framework as part of this work

**Significant Governance Issue – Deliver the Authority's Organisational Development Strategy, re-instating our Equalities Group and updating the Authority's Equality framework.**

#### **4.6 Risk Management**

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

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

**Significant Governance Issue – Strengthen and test the robustness of the Authority's business continuity arrangements.**

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

The Anti- Fraud and Corruption Policy has been reviewed and was refreshed in 2016. 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 Ensuring Effective Management of Change and Transformation.**

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

#### **4.9 Programme and Project Management.**

We have identified general Project Management Governance as an area we can improve upon going forward. During 2016/17, project sponsor feedback led us to understand the need to refine our project documentation and roll-out training more widely across the organisation during 2017/18. We have engaged the services of a consultant to work alongside our Business Improvement Manager to re-define and re-launch our Project Methodology Process during the 2017/18 year. This will include encouraging accountability and responsibility for Project Assurance within the Authority as a whole and consideration of value for money information and cost analysis as part of the business cases at the point of presentation. We will ensure that relevant laws, regulations, internal policies and procedures are considered and complied with at all times. Moving forward, strengthened governance of all projects will be implemented within the Authority as a result of improved processes and accountability.

**Significant Governance Issue – Delivery the Authority's Organisational Development strategy, in particular developing our project management processes.**

#### **4.10 Financial Management Arrangements.**

The Authority's financial management arrangements conform to the Governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government" as the Director of Communications and Resources (S151 Officer) is a key member of the Strategic Leadership Team and has unfettered access to the Chief Executive. The Director of Communications and Resources is designated as the responsible officer for the administration of the Authority's financial affairs under Section 151 of the Local Government Act 1972. Responsibilities are defined in the Scheme of Delegation. The Director of Communications and Resources oversees the development and work of the financial management function at the Authority and is its

responsible officer for matters of financial administration. The post holder is professionally qualified as a Chartered Public Finance Accountant with suitable experience.

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

**Significant Governance Issue: Deliver and Embed Improved Commerciality in the Organisation through ongoing delivery of the Investing for our Future programme in 2017/18**

#### **4.11 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.

#### **4.12 Ensuring Effective Arrangements are in Place for the Discharge of the Monitoring Officer Function**

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

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

#### **4.13 Ensuring Effective Arrangements are In Place for the Discharge of the Head of Paid Service Function**

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

of the Executive Board and Heads of Service meeting monthly to discuss strategic developments and business performance.

#### **4.14 Governance Committee**

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

#### **4.15 Internal Audit**

The Head of Internal Audit provides an annual audit opinion to the Governance Committee based on the work undertaken by Internal Audit during the year. The 2016/17 opinion gave reasonable assurance that effective risk management, control and governance processes are in place to manage and achieve strategic objectives. Three of the reviews carried out during the year gave only limited assurance in the relevant areas. The detailed recommendations from these reviews are being implemented and progress reported to Governance Committee. There were no instances of fraud or corruption during 2016/17. Public Sector Internal Auditing Standards are now embedded

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

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

In order to maintain compliance with relevant laws, over the course of the next year, we will need to ensure that the organisation is ready to meet the challenges proposed by new data management legislation. The Authority Solicitor is leading a piece of work with the Strategic Leadership Team to examine our information management arrangements and ensure we put in place robust arrangements to retain compliance.

**Significant Governance Issue: Ensure the Authority's data management procedures are ready for new the new legislative environment coming into effect in 2018**

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

The Authority operates a formal Complaints System in accordance with Best Practice, giving members of the public the ability to complain about aspects of the Authority's service with which they are dissatisfied. The Authority reviews any complaints received

in order to assess their validity and learn for the future. The Authority's whistleblowing arrangements are set out in our Confidential Reporting Policy which is available to all staff on our intranet and externally on our web-site. Our Confidential Reporting Policy ensures there is a clear channel of confidential reporting for staff should this be required.

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

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

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

**Significant Governance Issue – Deliver and Embed improved Commerciality in the Organisation through continuing our staff engagement programme around commercial delivery.**

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

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

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

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

#### **4.21 Good Governance in respect of Partnerships**

The Authority's key Governance arrangements and procedures ensure that partnerships are entered into for the right reasons and that partnership arrangements are clearly defined. The actual appliance of and delivery of partnerships is the responsibility of individual service areas. Significant partnerships are subject to regular monitoring and review. The achievement of UNESCO World Heritage Site inscription for the Lake District National Park is a major achievement for the Partnership.

### **5. Significant Governance Issues**

The significant governance issues that we plan to address during 2017/18 are:

- 1) Deliver and Embed Improved Commerciality in the Organisation through:
  - Ongoing delivery of the Investing for our Future programme in 2017/18
  - Improving our commercial indicators, and
  - Continuing our staff engagement programme around commercial delivery
- 2) Deliver the Authority's Organisational Development Strategy actions for 2017/18, in particular
  - Re-instating the Authority's Equalities Group and updating our Equality Framework
  - Developing our Project Management Processes.
- 3) Strengthen and test the robustness of the Authority's business continuity arrangements
- 4) Ensure the Authority's Data management procedures are ready for new the new legislative environment coming into effect in 2018

## 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 of Governance Committee)

 .....  
(Chief Executive)

Date: 28 September 2017

On behalf of the Lake District National Park Authority