



EXMOOR NATIONAL PARK AUTHORITY  
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*A member of the Association of National  
Park Authorities*  
**This matter is being dealt with by:**  
**Judy Coles, Corporate Support Officer**  
**Direct Line: (01398) 322250**  
15 July 2019

## **EXMOOR NATIONAL PARK AUTHORITY FINAL ACCOUNTS COMMITTEE**

**To: All Members of the Final Accounts Committee of the Exmoor National Park Authority**

A meeting of the Final Accounts Committee will be held in the Committee Room, Exmoor House, Dulverton, on **Wednesday 24 July 2019 at 10.00am.**

The meeting will be open to the press and public subject to the passing of any resolution under s.100(A)(4) of the Local Government Act 1972.

This meeting will be audio & video recorded. By entering the Authority's Committee Room and speaking during Public Speaking you are consenting to being audio & video recorded.

There is a Public Speaking at this meeting, when the Chairman will allow members of the public two minutes each in which to ask questions, make statements, or present a petition relating to any item on the Agenda. Anyone wishing to ask questions should notify the Corporate Support Officer by 4pm on the working day before the meeting of the agenda item on which they wish to speak, indicating a brief summary of the matter or matters to be raised (contact details are set out above).

Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings at this meeting. Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman so that those present may be made aware.

(The agenda and papers for this meeting can be downloaded from the National Park Authority's website [www.exmoor-nationalpark.gov.uk](http://www.exmoor-nationalpark.gov.uk)).

Sarah Bryan  
Chief Executive

## **A G E N D A**

1. **Apologies for Absence**
  
2. **Declarations of Interest:** Members are asked to declare any interests they may have in relation to items on the agenda for this meeting.
  
3. **Minutes:**
  - (1) To approve as a correct record the Minutes of the meeting of the Final Accounts Committee held on 31 July 2018 (Item 3).
  - (2) To consider any Matters Arising from those Minutes.
  
4. **Public Speaking**

The Chairman will allow members of the public to ask questions, make statements or present a petition on any matter on the Agenda for this meeting.
  
5. **Statement of Accounts for 2018/19**

To consider the report of the Chief Finance Officer (Item 5).

Representatives from Grant Thornton will be in attendance to introduce the Audit Findings Report for 2018/19.

  - To consider the Audit Findings Report for 2018/19.
  - To consider and approve the Letter of Representation.
  - To adopt the Statement of Accounts for 2018/19.

The Statement of Accounts to be signed by the Chairman.
  
6. **Any Other Business of Urgency**

Details of the decisions taken at this meeting will be circulated in the formal Minutes, which the Committee will be asked to approve as a correct record at its next meeting. In the meantime, details of the decisions can be obtained from Judy Coles, Corporate Support Officer, at Exmoor House. **These documents can also be made available in alternative formats such as large print, on tape and on disc.**

**EXMOOR NATIONAL PARK AUTHORITY  
FINAL ACCOUNTS COMMITTEE**

**MINUTES** of the meeting of the Final Accounts Committee of the Exmoor National Park Authority held on Tuesday 31 July 2018 at 10.00am in the Committee Room, Exmoor House, Dulverton.

**PRESENT**

Mr R Milton (Chairman)  
Mr M Ellicott  
Mr N Holliday  
Mrs E Stacey  
Mr V White

1. **APOLOGIES FOR ABSENCE:** Apologies for absence were received from Miss A V Davis and Mr J Patrinos.
2. **DECLARATIONS OF INTEREST:** There were no declarations of interest.
3. **MINUTES:** The Minutes of the meeting of the Final Accounts Committee held on [31 July 2017](#) were approved as a correct record. There were no matters arising.
4. **PUBLIC QUESTION TIME:** There were no speakers at public question time.
5. **STATEMENT OF ACCOUNTS FOR 2017/18**

The Committee considered the **report** of the Chief Finance Officer.

Mr Anopa Gumbie, Assistant Manager of Grant Thornton, presented the Audit Findings Report to the Committee which summarised the 2017/18 audit of the Authority's financial statements.

The audit concluded that the draft financial statements and supporting working papers were properly prepared and gave a true and fair view of the Authority's reported financial position as at 31 March 2018. Based on the work performed during the audit, it was confirmed that the Authority has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

It was confirmed that Grant Thornton remain independent of the Authority and noted that a separate team had provided a non-audit service to Somerset County Council for the Heart of the South West LEP.

In conclusion, Mr Gumbie advised that an unqualified opinion in relation to the Authority's financial statements is anticipated to be issued. The Chairman thanked the Chief Finance Officer and his team, along with the team at Grant Thornton, for their very professional work on behalf of the Authority.

31 July 2018

**RESOLVED:**

1. To receive the Audit Findings Report of the External Auditor as set out in Annex 1 and to confirm that the clarifications and disclosures contained within the report have been carried out on the grounds that they are not material.
2. To authorise the Chief Finance Officer to issue the letter of representation as set out in Annex 2 to the report.
3. To adopt the Statement of Accounts for 2017/18 as set out in Annex 3 to the report.

**6. ANY OTHER BUSINESS OF URGENCY:** There was none.

The meeting closed at 10.20am.

(Chairman)

## EXMOOR NATIONAL PARK AUTHORITY

### FINAL ACCOUNTS COMMITTEE

24 July 2019

### STATEMENT OF ACCOUNTS FOR 2018/19

#### Report of the Chief Finance Officer

**Purpose of Report:** To introduce the Audit Findings Report of the External Auditor and present the Statement of Accounts for 2018/19 for adoption.

#### **RECOMMENDATIONS:**

The Final Accounts Committee is recommended to:

1. **RECEIVE** the Audit Findings Report of the External Auditor at Annex 1 and **CONFIRM** that the changes contained within the report, have been carried out.
2. **AUTHORISE** the Chief Finance Officer to issue the letter of representation as set out in Annex 2.
3. **ADOPT** the Statement of Accounts for 2018/19 as set out in Annex 3

**Authority Priority:** Develop and maintain effective and efficient services.

**Legal and Equality Implications:** Local Government Act 2003, Parts 1-3 (Capital Finance, Financial Administration and Grants), Sections 1-39 Accounts and Audit (England) Regulations 2011, Part 2 (Financial Management and Internal Control) CIPFA Code of Practice on Local Authority Accounts in the United Kingdom 2013 (the CODE).

The equality and human rights implications of this report have been assessed as having no impact on any particular individual or body.

**Financial and Risk Implications:** The external auditor's fees are provided for in the annual budget and the assurances given by the auditors form a key part of the Authority's risk management and governance processes. The additional charge of £750 will be found from within the Finance service budget.

## 1. **THE AUDIT FINDINGS REPORT**

1.1 The Audit Findings Report has been produced by Julie Masci, Associate Director for Grant Thornton, and is attached at Annex 1. Julie will be attending the Committee to present this report to Members.

## 2. **LETTER OF REPRESENTATION**

2.1 Annually the letter of representation is given by the Chief Finance Officer on behalf of the Authority.

2.2 It is regarded as best practice for the letter to be approved by the Final Accounts Committee before signing, and attached as Annex 2 of this report is the letter proposed for 2018/19. This follows the usual format required by the External Auditors and Members are recommended to approve it for signature.

## 3. **STATEMENT OF ACCOUNTS**

3.1 The Accounts and Audit (England) Regulations 2011 requires the Committee under its delegated powers, to adopt the Accounts by 31 July.

3.2 The accounts of the Authority have been prepared on a going concern basis. This is based upon the judgement of management that:

- the Authority has a history of stable finances, responsible budget setting and has access to financial resources in the future; and
- there are no significant financial, operating or other risks that would jeopardise the Authority's continuing operation.

3.3 As a consequence of the external audit, material changes have been made to the Authority's draft accounts. This is unusual and is caused by the Court of Appeal's ruling that the Government's transitional arrangements for pensions were discriminatory. Local authorities have been obliged to adjust their accounts where it appears likely that the impact is material. The updated and final Statement of Accounts is attached at Annex 3 for adoption. Following adoption these will be signed by the Chairman.

3.4 I would once again like to place on record my thanks to the Finance Team and other staff involved with the preparation of the Statement of Accounts and the audit process, for their efforts in completing these accounts and also to the audit team at Grant Thornton who carried out their audit in a very professional manner.

**Gordon Bryant**  
**Chief Finance Officer**  
**July 2019**



# The Audit Findings For Exmoor National Park Authority

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Year ended 31 March 2019

15 July 2019



# Contents



## Your key Grant Thornton team members are:

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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Page

- 3  
4-11  
12-13  
14

## Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion
- E. Management Letter of Representation

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exmoor National Park Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

|                                     |  |  |
|-------------------------------------|--|--|
| <b>Financial Statements</b>         | <p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and</li><li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> | <p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 12. We have identified one adjustment affecting the Authority's income and expenditure account and its reported pensions liability relating to its recognition of additional liabilities arising from the McCloud court judgement. This adjustment does not affect the Authority's general fund position. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D) or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"><li>- Finalisation of a small number of audit procedures</li><li>- Receipt of assurance letter from the Devon County Council and Pension Fund auditors</li><li>- receipt of management representation letter (see appendix E); and</li><li>- review of the final set of financial statements.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p> |
| <b>Value for Money arrangements</b> | <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>   | <p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded Exmoor National Park Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p><b>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 13 to 14.</b></p>   |
| <b>Statutory duties</b>             | <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• To certify the closure of the audit.</li></ul>  | <p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>   |

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls; and

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our risk assessment per our audit plan, as communicated to you on 19 March 2019. We have had to respond to an emerging issue relating to the McCloud judgement as part of our work. Further details are set out on page 7.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 24 July 2019, as detailed in Appendix E. These outstanding items include:

- Finalisation of a small number of audit procedures
- receipt of management representation letter;
- review of the final set of financial statements; and
- Assurance letters from the pension fund and county council audit teams

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan.

We detail in the table below our determination of materiality for Exmoor National Park Authority.

|   | Authority Amount (£) | Qualitative factors considered  |
|---|----------------------|---|
| Materiality for the financial statements      | 100,000              | <ul style="list-style-type: none"> <li>• Financial statement materiality was determined based on a proportion of the gross expenditure of the Authority for the financial year.</li> </ul>  |
| Performance materiality                       | 75,000               | <ul style="list-style-type: none"> <li>• Set out as 75% of materiality</li> </ul>   |
| Trivial matters                               | 5,000                | <ul style="list-style-type: none"> <li>• Set out as 5% of materiality</li> </ul>  |
| Materiality for senior officer's remuneration | 10,000               | <ul style="list-style-type: none"> <li>• Senior officer remuneration was deemed sensitive area for the users of the accounts, therefore a lower materiality was applied. Materiality was based on the remuneration disclosure bands. £10k suits the size and nature of the organisation.</li> </ul> |

# Significant findings – audit risks

| Risks identified in our Audit Plan                          | Commentary  |
|---|---|
| <b>1</b> The revenue cycle includes fraudulent transactions | <b>Auditor commentary</b><br>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from the revenue recognition can be rebutted, because: <ul style="list-style-type: none"><li>• There is little incentive to manipulate revenue recognition</li><li>• Opportunities to manipulate revenue recognition are very limited due to the predictability of a majority of the revenue; and</li><li>• The culture and ethical frameworks of local authorities, including Exmoor National Park Authority, mean that all forms of fraud are seen as unacceptable</li></ul> This is consistent with our approach during planning. |
| <b>2</b> Management override of controls                    | <b>Auditor commentary</b><br>To address the risk we have: <ul style="list-style-type: none"><li>• Gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li><li>• Obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li><li>• Evaluated the rationale for any changes in accounting policies or significant unusual transactions</li></ul> Our audit work has not identified any issues in respect of management override of controls.   |

# Significant findings – audit risks


| Risks identified in our Audit Plan                      | Commentary   |
|---|--|
| <p><b>3</b> Valuation of land and buildings</p>         | <p><b>Auditor commentary</b></p> <p>To address the risk we have:</p> <ul style="list-style-type: none"> <li>• Reviewed management’s processes and assumptions in implementing the estimate</li> <li>• Reviewed the competence, expertise and objectivity of external valuation experts</li> <li>• Reviewed the instructions issues to external valuation experts and the scope of their work</li> <li>• Communicate with valuation expert about the basis on which the valuation was carried out and challenged the key assumptions</li> <li>• Reviewed and challenged the information used by the valuation expert to ensure it is robust and consistent with our understanding</li> <li>• Tested revaluations made during the year to ensure they are input correctly into the Authority’s asset register</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value</li> </ul> <p>The Authority revalued all its land and building assets with a valuation date of 31 March 2019. The valuation was carried out by a suitably qualified expert. We are undertaking additional enquiries in relation to a number of assets that are fully depreciated and still in use at the Authority, where their gross cost and accumulated depreciation have been written down in the accounts at 31 March 2019. We will update the Authority with the outcomes from this work, once this has concluded.</p> <p>Our audit work to date has not identified any other issues in respect of valuation of land and buildings.</p> |
| <p><b>4</b> Valuation of pension fund net liability</p> | <p><b>Auditor commentary</b></p> <p>To address the risk we have:</p> <ul style="list-style-type: none"> <li>• Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have gained an understanding of the basis on which the valuation was carried out.</li> <li>• Undertaken procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Confirmed the validity of the source data provided to your actuary by matching this data to Authority’s payroll records</li> <li>• Checked the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from your actuary</li> </ul> <p>With the exception of the matter set out on page 7, our audit work has not identified any issues in respect of valuation of pension fund net liability.</p>  |

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

| Issue  | Commentary   | Auditor view  |
|--|--|---|
| <p><b>1 Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted bac to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p> | <p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Authority requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £167k, and an increase in service costs for the 2019/20 year of £16k. As this assessed impact is material, management has been requested to process these adjustments to the reported pension liability and past service costs reported in the 2018-19 statement of accounts.</p> | <p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken by Barnett Waddingham to arrive at this estimate is reasonable.</p> <p>We acknowledge the significant uncertainties relating to the estimation of the impact on the Authority's liability. Additional disclosures have been requested in the statement of accounts to reflect this.</p> |
| <p><b>2</b></p>  |  |   |

# Significant findings – key judgements and estimates

| Accounting area                           | Summary of management's policy   | Audit Comments   | Assessment  |
|---|--|--|---|
| <b>Revaluations of land and buildings</b> | Management uses an internal valuer Mr Matt Harley to calculate revaluation figures. The valuers' calculation is based upon market values and the BCIS index. | <p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of the expert and deemed it appropriate for the revaluation exercise</li> <li>Reviewed the assumptions used by the expert and deemed the reasonable</li> <li>Ensured that there has been no changes to the method used to revalue the properties, as well as ensure that the method is suitable for the different classes of the assets</li> <li>Tested revaluations made during the year to ensure they are input correctly into the Authority's asset register</li> </ul> |  |

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

|  | Summary of management's policy  | Audit Comments  | Assessment |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
|--|---|---|------------|------------|---------------|-----------|------------|---------------|------|---------------|---|-----------------------|------|--------------|---|---------------|------|--|---|--|------|-------------|---|--|------|-------------|---|
| <b>Net pension liability – £9m</b>   | <p>The Authority's net pension liability at 31 March 2019 is £9.561m (PY £9.4m) comprising of the Somerset Local Government defined benefit pension scheme obligations. The Authority uses Barnett Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>• Evaluated the competencies and expertise of the actuary used by the Authority and deemed it suitable for the engagement</li> <li>• Reviewed the actuary's use of roll forward approach and deemed it reasonable</li> <li>• Reviewed the IAS 19 PwC report and used it to review the assumptions made by the actuary</li> </ul> | ●          |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
| <table border="1"> <thead> <tr> <th data-bbox="860 544 1397 624">Assumption</th> <th data-bbox="1397 544 1563 624">Actuary Value</th> <th data-bbox="1563 544 1729 624">PwC range</th> <th data-bbox="1729 544 1946 624">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="860 624 1397 703">Discount rate</td> <td data-bbox="1397 624 1563 703">2.4%</td> <td data-bbox="1563 624 1729 703">2.35% – 2.45%</td> <td data-bbox="1729 624 1946 703" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="860 703 1397 783">Pension increase rate</td> <td data-bbox="1397 703 1563 783">2.4%</td> <td data-bbox="1563 703 1729 783">2.4% - 2.45%</td> <td data-bbox="1729 703 1946 783" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="860 783 1397 863">Salary growth</td> <td data-bbox="1397 783 1563 863">3.9%</td> <td data-bbox="1563 783 1729 863"></td> <td data-bbox="1729 783 1946 863" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="860 863 1397 943">Life expectancy – Males currently aged 45 / 65</td> <td data-bbox="1397 863 1563 943">24.6</td> <td data-bbox="1563 863 1729 943">22.2 – 25.0</td> <td data-bbox="1729 863 1946 943" style="text-align: center;">●</td> </tr> <tr> <td data-bbox="860 943 1397 1038">Life expectancy – Females currently aged 45 / 65</td> <td data-bbox="1397 943 1563 1038">25.8</td> <td data-bbox="1563 943 1729 1038">25.0 – 26.6</td> <td data-bbox="1729 943 1946 1038" style="text-align: center;">●</td> </tr> </tbody> </table> |   |   |            | Assumption | Actuary Value | PwC range | Assessment | Discount rate | 2.4% | 2.35% – 2.45% | ● | Pension increase rate | 2.4% | 2.4% - 2.45% | ● | Salary growth | 3.9% |  | ● | Life expectancy – Males currently aged 45 / 65 | 24.6 | 22.2 – 25.0 | ● | Life expectancy – Females currently aged 45 / 65 | 25.8 | 25.0 – 26.6 | ● |
| Assumption   | Actuary Value   | PwC range   | Assessment |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
| Discount rate  | 2.4%  | 2.35% – 2.45%   | ●          |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
| Pension increase rate  | 2.4%  | 2.4% - 2.45%  | ●          |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
| Salary growth  | 3.9%  |   | ●          |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
| Life expectancy – Males currently aged 45 / 65   | 24.6  | 22.2 – 25.0   | ●          |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
| Life expectancy – Females currently aged 45 / 65   | 25.8  | 25.0 – 26.6   | ●          |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |
| <ul style="list-style-type: none"> <li>• Confirmed the validity of the information provided to the actuary by matching this data to the Authority's payroll records</li> <li>• Confirmed the Authority's share of LGPS pension assets.</li> <li>• Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary</li> </ul>  |   |   |            |            |               |           |            |               |      |               |   |                       |      |              |   |               |      |  |   |  |      |             |   |  |      |             |   |

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings - Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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## Going concern commentary

### Management's assessment process

Management has prepared the Medium Term Financial Plan covering the period to 31 March 2021.

Although the National Park Grant from financial year 2020/21 has not been yet confirmed by Defra, the management assumed that the funding continues to increase at the same rate as the previous three years (1.72%).

### Auditor commentary

- The going concern basis of accounting has been deemed appropriate
- We have concluded that the assessment process used by the management was appropriate

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### Work performed

We have reviewed the Medium Term Financial Plan, as well as the assumptions made by the management to assess the appropriateness of the going concern basis of accounting.

### Auditor commentary

- We did not identify any evidence of material uncertainty.
- We have concluded that the disclosure in the financial statements regarding going concern is adequate

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### Concluding comments

### Auditor commentary

- The audit opinion remains unmodified
-



# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Issue   | Commentary   |
|---|--|
| ① <b>Matters in relation to fraud</b>                             | <ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Exmoor National Park Authority. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>               |
| ② <b>Matters in relation to related parties</b>                   | <ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>   |
| ③ <b>Matters in relation to laws and regulations</b>              | <ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>   |
| ④ <b>Written representations</b>                                  | <ul style="list-style-type: none"> <li>A letter of representation has been requested from the Authority, which is appended in Appendix E.</li> </ul>   |
| ⑤ <b>Confirmation requests from third parties</b>                 | <ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to all institutions where the Authority holds cash balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> </ul> |
| ⑥ <b>Disclosures</b>  | <ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>  |
| ⑦ <b>Audit evidence and explanations/significant difficulties</b> | <ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>   |

## Other responsibilities under the Code

| Issue  | Commentary   |
|--|--|
| <b>1 Other information</b>                                     | <ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D.</p> |
| <b>2 Matters on which we report by exception</b>               | <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>  |
| <b>3 Specified procedures for Whole of Government Accounts</b> | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>Detailed work is not required as the Authority does not exceed the threshold</li> </ul>  |
| <b>4 Certification of the closure of the audit</b>             | <p>We intend to certify the closure of the 2018/19 audit of Exmoor National Park Authority in the audit opinion, as detailed in Appendix D.</p>  |

# Value for Money

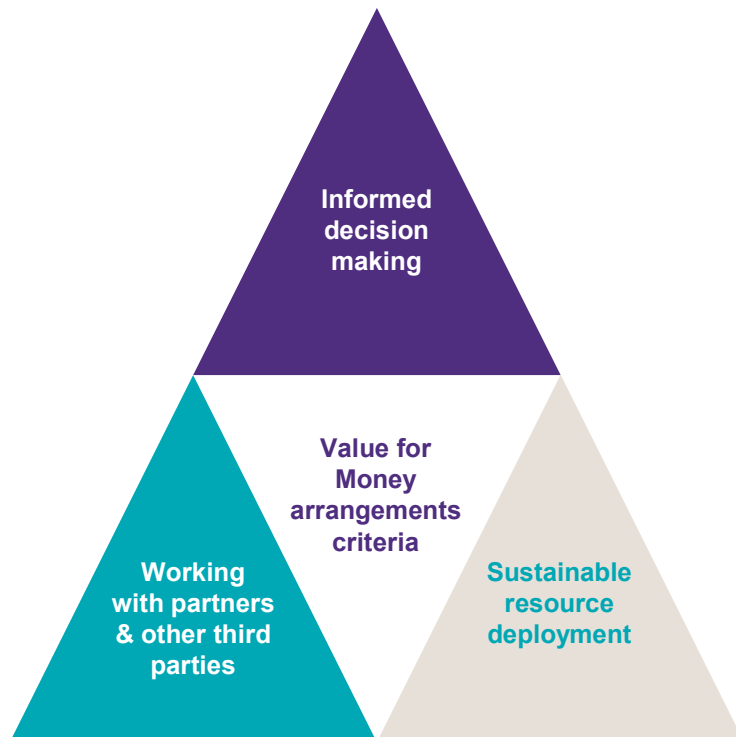
## Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in March 2019 and did not identify any significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. This conclusion was communicated to you in our Audit Plan dated 2 April 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the review of key Authority documents which include the Annual Governance Statement. In arriving at our conclusion, our main considerations were:

- The arrangements for medium term financial planning finances and to effectively support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making
- The governance framework of the Authority and arrangements it has in place throughout the 2018/19 financial year
- The Authority's strategic planning and arrangements for working effectively with third parties to deliver strategic priorities

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

### **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified during the financial year through to 14 July 2019.

# Follow up of prior year recommendations

We identified the following issues in the audit of Exmoor National Park Authority's 2017/18 financial statements, which resulted in 1 recommendation being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

|   | Assessment | Issue and risk previously communicated  | Update on actions taken to address the issue  |
|---|------------|---|---|
| 1 | ✓          | <ul style="list-style-type: none"> <li>An exit package of £14,000 was agreed in the 2017/18 year but not accounted for in the year as is required by the code.</li> </ul> | <ul style="list-style-type: none"> <li>Management made the decision to leave the costs related to the exit package in 2018/19 as that was the year the person left the organisation. No new exit packages were made in the year.</li> </ul> |

#### Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

We have identified the following non trivial misstatements during our audit.

| Detail  | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 |
|---|--|--|---------------------------------------|
| <b>1 Impact of McCloud ruling</b><br>The actuary's estimate was of a possible increase in pension liabilities of £167k. As this assessed impact is material, management has been requested to process these adjustments to the reported pension liability and past service costs reported in the 2018-19 statement of accounts. | 167  | (167)                                  | 167                                   |
| <b>Overall impact</b>   | <b>£167</b>  | <b>£(167)</b>                          | <b>£167</b>                           |

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission | Detail   | Auditor recommendations                                | Adjusted? |
|---------------------|--|--|-----------|
|                     | <ul style="list-style-type: none"> <li>None</li> </ul> | <ul style="list-style-type: none"> <li>None</li> </ul> | N/A       |

# Audit Adjustments

## **Impact of unadjusted misstatements**

There has been no unadjusted audit adjustments.

## **Impact of prior year unadjusted misstatements**

No adjustments have been proposed in the prior year Audit Findings report.



# Fees

We confirm below our proposed fees for the audit and provision of non-audit services.

## Planned Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £9,004. Our audit approach, including the risk assessment, is continually reviewed throughout the year and fees are reviewed and updated as necessary as our work progresses.

## Update to our risk assessment – additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

## Additional Audit Fees

| Area of work                               | Timing         | Comment  | £   |
|--|----------------|--|-----|
| Assessing the impact of the McCloud ruling | June-July 2019 | The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert. | 750 |

## Total Audit Fees

|   | Actual fee 2017-18 | Proposed 2018-19 fee | Final 2018-19 fee |
|---|--------------------|----------------------|-------------------|
| Authority Audit                                     | 11,696             | 9,004                | 9,004             |
| Additional Audit fees proposed (see analysis above) |                    |                      | 750               |
| <b>Total audit fees (excluding VAT)</b>             | <b>11,696</b>      | <b>9,091</b>         | <b>9,754</b>      |

# Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

## Independent auditor's report to the members of Exmoor National Park Authority Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Exmoor National Park Authority (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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

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

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

# Audit opinion

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

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

## Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Responsibilities of the Authority

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

# Audit opinion

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

## Report on other legal and regulatory requirements - Certificate

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

## Use of our report

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

[Signature]

Julie Masci, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]



# Management Letter of Representation

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL  
24 July 2019

Dear Sirs

**Exmoor National Park Authority**  
**Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Exmoor National Park Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Authority has been assigned, pledged or mortgaged
- vii. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

# Management Letter of Representation

## Information Provided

- iv. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the Authority financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xii. We have communicated to you all deficiencies in internal control of which management is aware.
- xiii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xiv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xv. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- xii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xiv. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

- xii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Annual Governance Statement

- xii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## Narrative Report

- xii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority financial statements.

## Approval

- xii. The approval of this letter of representation was minuted by the Authority's Final Accounts Committee at its meeting on 24 July 2019.

Yours faithfully

Name.....

Position.....



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A member of National Parks England and National Parks UK

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
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24 July 2019

Dear Sirs

**Exmoor National Park Authority**  
**Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Exmoor National Park Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no noncompliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.



- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Authority has been assigned, pledged or mortgaged
- vii. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

### **Information Provided**

- xiii. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the Authority financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or

- others where the fraud could have a material effect on the financial statements.

- xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxiii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority financial statements.

**Approval**

- xxiv. The approval of this letter of representation was minuted by the Authority's Final Accounts Committee at its meeting on 24 July 2019.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Governing Body**



# Exmoor National Park

## Statement Of Accounts 2018/19

**Gordon Bryant**  
Chief Finance Officer

**Sarah Bryan**  
Chief Executive





## AUDITED STATEMENT OF ACCOUNTS

2018/19

### CONTENTS

| <b>SECTION</b> |  | <b>PAGE</b> |
|----------------|--|-------------|
| 1              | Narrative Report                               | 3           |
| 2              | Statement of Responsibilities                  | 9           |
| 3              | Comprehensive Income and Expenditure Statement | 10          |
| 4              | Movement in Reserves Statement                 | 11          |
| 5              | Balance Sheet                                  | 12          |
| 6              | Cash Flow Statement                            | 13          |
| 7              | Notes to the Accounts                          | 14          |
| 8              | Annual Governance Statement                    | 42          |

## STATEMENT OF ACCOUNTS 2018/19

### NARRATIVE REPORT

#### Introduction

1. The Authority was created and given powers under the Environment Act 1995 and came into existence on 1 April 1997. The Act sets out two primary purposes for Exmoor National Park Authority ('the Authority'):
  - To conserve and enhance the natural beauty, wildlife and cultural heritage of the National Park area; and
  - To promote opportunities for understanding and enjoyment of the National Park's special qualities.
2. In carrying out these purposes the Authority also has a duty to seek to foster the social and economic well-being of local communities in the National Park and is the Planning Authority under the Town and Country Planning Acts for the National Park area.
3. Exmoor National Park Authority is required under section 66(1) of the Environment Act 1995 to produce a National Park Management Plan (the 'Partnership Plan') and State of the Park report, and review them every five years. The National Park Authority is responsible for preparing the Plan, but it is developed in consultation with partner organisations, communities, visitors and businesses and will be delivered with a wide range of partners. The fundamental basis for the Plan, and for the work of the National Park Authority, are the National Park statutory purposes and duty. Evidence from the updated State of the Park report forms an important basis for the review of the Partnership Plan, and ongoing monitoring. In April 2018 the [Partnership Plan](#) 2018-23 was published by the Authority. This sets out the Vision and Ambitions for the National Park under three themes of 'People, Place and Prosperity'.

#### Governance

4. The Annual Governance Statement is included within this publication but does not form part of the Authority's accounts. The Annual Governance Statement is found at the back of this document and explains the:
  - Scope of responsibilities;
  - Governance Framework; and
  - Significant governance issues and challenges faced by the Authority.

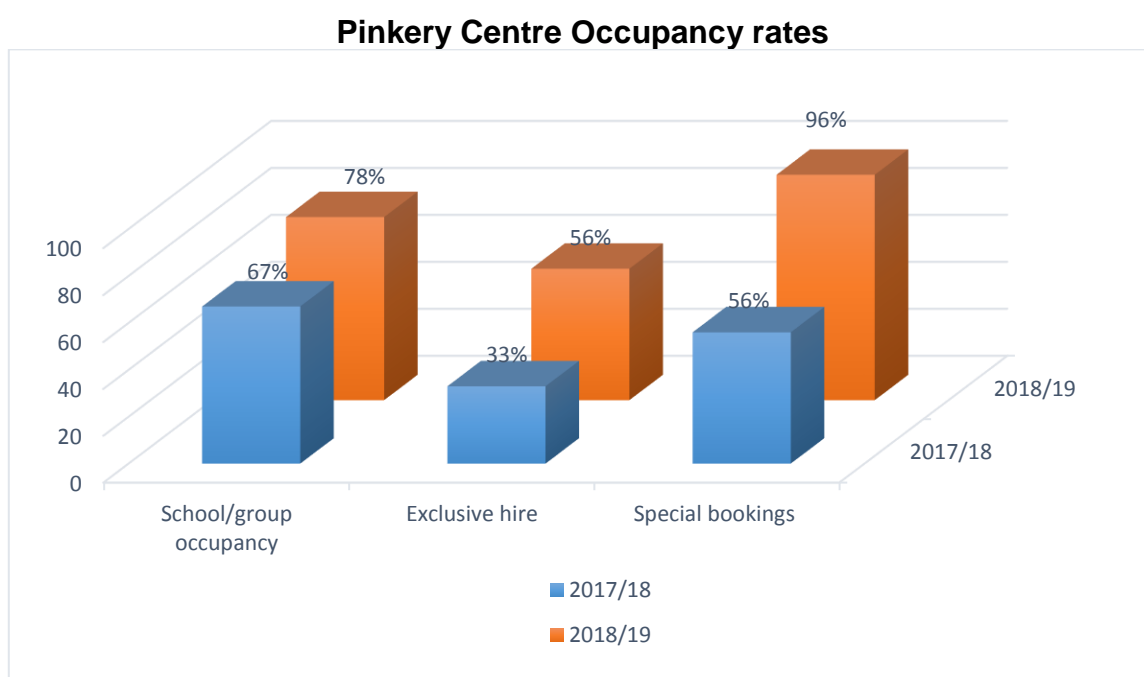
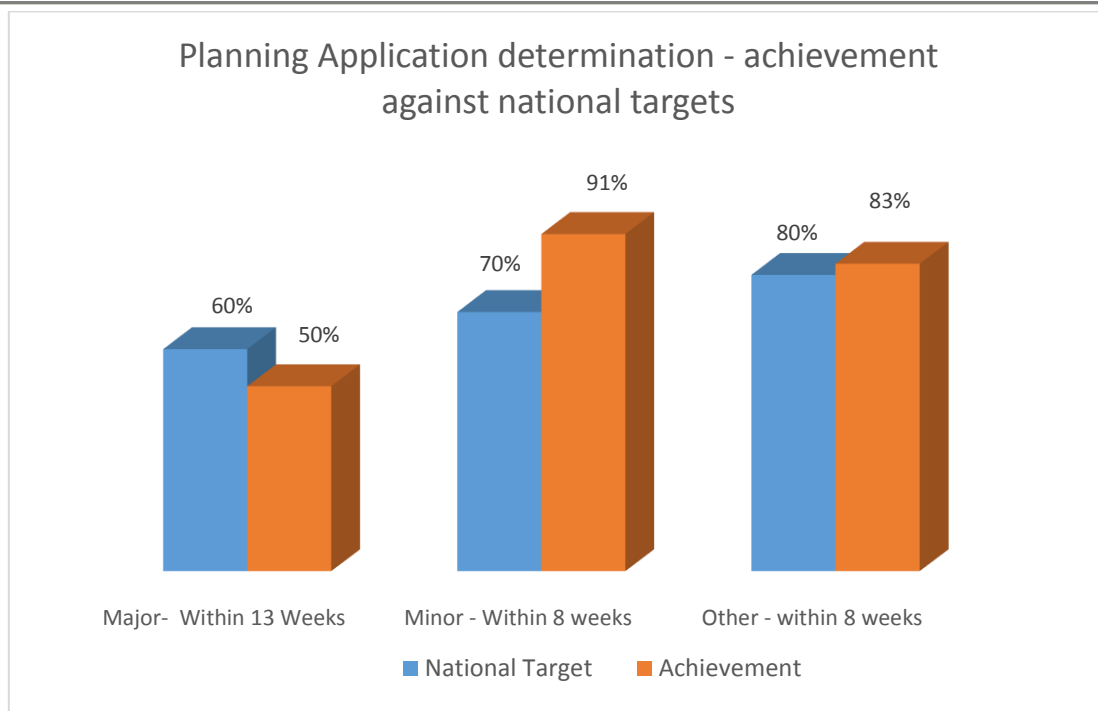
#### Organisation

5. To achieve the purposes and duty described in 1 and 2, the organisation is structured in terms of Support to Land Managers, Support to National Park Users and Support to the Community and Business.

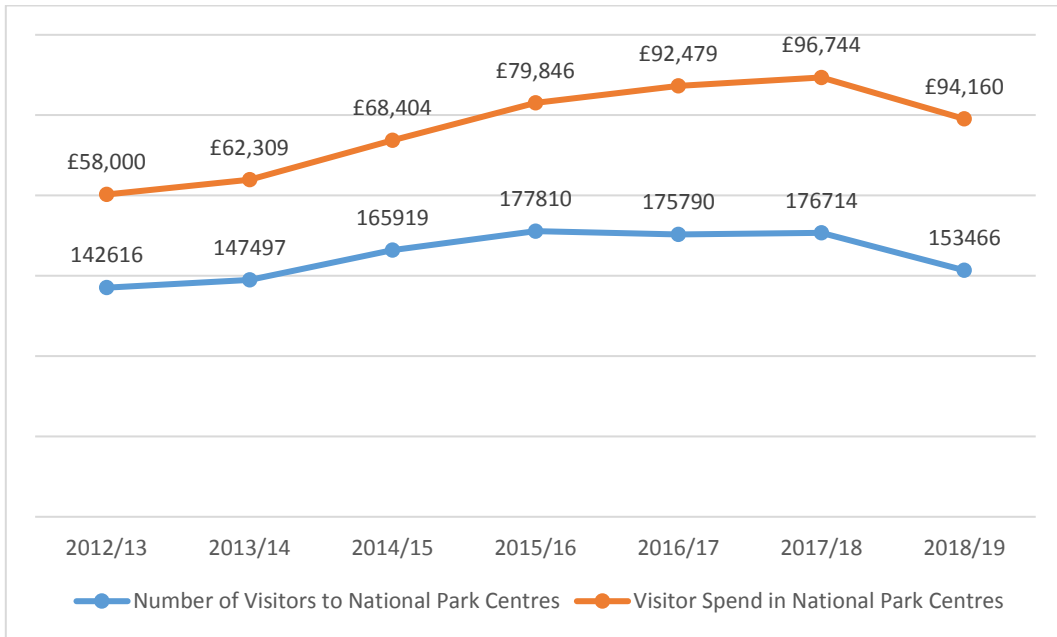
#### Performance

6. 2018/19 saw the completion of the previous Business Plan for the Authority. A mid-year report of progress in implementing the previous Business Plan was taken to the Authority in December 2018, and the full report will go to the Authority in July 2019. Progress against key corporate indicators is given in the charts below. A new 'Corporate Plan' has since been developed which sets out how we will achieve the priorities set out in the Partnership Plan over the next twelve months. Performance is monitored quarterly by Leadership Team to ensure that the actions within the Corporate Plan are being achieved and, if necessary, to provide an opportunity for resources to be re-allocated or to review the proposed action.

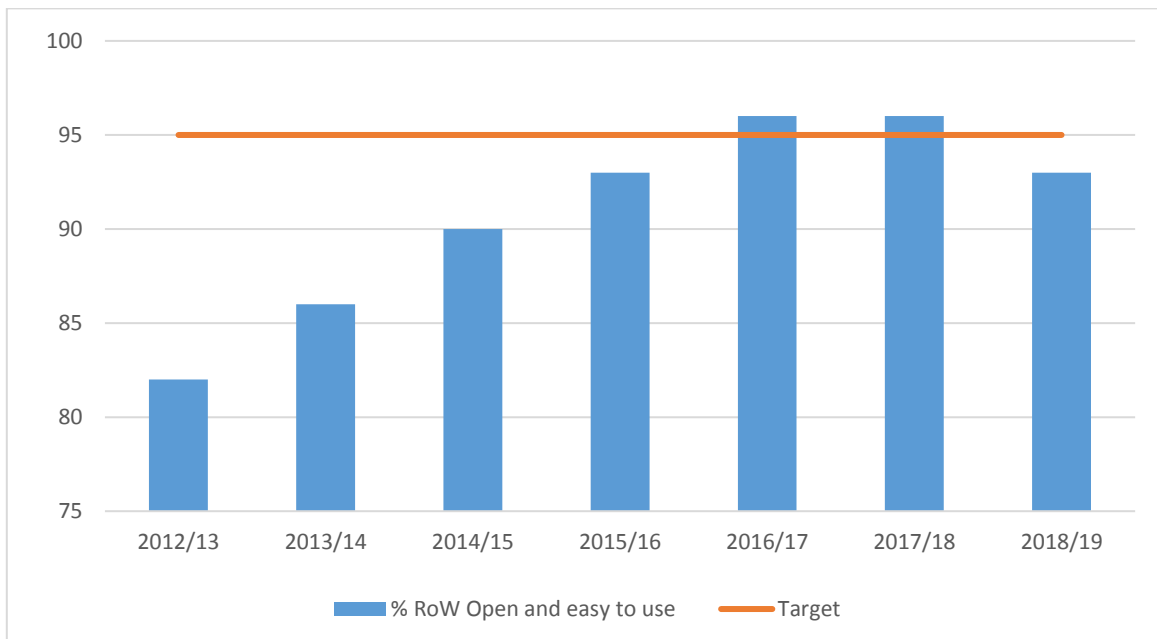
### Key Corporate Indicators 1 April 2018 to 31 March 2019



## National Park Centre Visitor Numbers and Income Trend



## Improvements in Rights of Way Open and Easy to Use Score



- Exmoor National Park continues to work with a variety of external agencies and partners to deliver park purposes. For example, in 2018/19 we worked with South West Water to improve water quality in the river Exe and its catchment. Other notable activities include stabilizing the rock face at Weir Cleave, undertaking repairing work at Exmoor House and the Outdoor Education Centre at Pinkery that arose because of the condition maintenance surveys and work was begun to restore White Rock Cottage in Simonsbath.

## Financial Statements

- Information relating to financial performance for the year ended 31 March 2019 is contained in the following statements:

### **Comprehensive Income and Expenditure Statement (page 10);**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

The Comprehensive Income & Expenditure Statement shows a surplus for 2018/19 of £0.596m. This contrasts with a surplus of £1.289 for 2017/18.

### **Movement in Reserves Statement (page 11);**

This statement shows the movement in the year on the different reserves held by the authority, analysed between general fund and other 'unusable' reserves. The statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to government grants for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

General Fund and earmarked reserves fell by £46k over the course of 2018/19 to £2.984m and unusable increased over the same period to £8.5m from £7.9m.

### **Balance Sheet (page 12)**

This statement shows the values 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.

Exmoor has £11.5m of assets in excess of its liabilities at the end of 2018/19. This is an increase of £0.6m which is primarily due to an increase in the value of Land and Buildings. The Authority owns £18.1m of Property, Plant and Equipment however many of these assets could not be realized at this level. Covenants attached to certain assets mean that they can only be sold to similar organizations and for the notional sum of £1.

### **Cash Flow Statement (page 13)**

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 statement shows how the amount of Cash and Cash Equivalents fell by £145k over the course of 2018/19.

## Financial Performance

- The revenue budget for 2018/19 was agreed on the 6 February 2018. Resources were applied to meet the purposes and duty described in 1 and 2. The approved budget was constructed across two themes:



- A Core Budget with expenditure of £3,493,700 and income of £741,400 giving a net requirement of £2,752,300;
- A Partnership budget involving expenditure of £404,900 of which £144,900 was top-sliced for priority elements, £50,000 set aside for small grants and £210,000 added to reserves.

10. The Authority considered a revised budget and reviewed the elements of the budget at its meeting on 6 November 2018. Funds were shifted between expected underspends due to staff vacancies and pressures that had arisen in year and £10k was transferred from the Core Budget to 'Top- Sliced' programmes to fund one more years contribution to the costs of National Park Partnership.

11. The key financial outcomes for the year ended 31 March 2019 are:

- Transfers from reserves to support spending during the year amounted to £46,000. The most significant involved the use of the Estates Reserve due to spend on Weir Cleave and Exmoor House, and the Fixed Term Programmes Reserve as we spend against the Authority's schemes to implement DEFRA's National Park Plan.
- The core budget shows an underspend for the year of £79,000 when compared with the revised budget. The reconciliation between this surplus and that shown in the Comprehensive Income and Expenditure Account is as follows:

|   | £000  | £000        |
|---|-------|-------------|
| <b>Net Deficit on the Provision of Services in the Comprehensive Income &amp; Expenditure Account</b> |       | <b>985</b>  |
| <i>Non Cash Transactions</i>  |       |             |
| Reverse Depreciation & Impairment charges   | (89)  |             |
| Reverse IAS19 Pensions transactions   | (665) |             |
| Net transfers from earmarked reserves   | (126) |             |
| Add in Capital Expenditure funded from Revenue  | 255   |             |
| Capital Grants (Refcus)   | (65)  |             |
| Movement in Employee absence Accrual  | (5)   |             |
| Downwards Revaluation of Assets   | (369) |             |
| <b>Management Accounts Budget Surplus</b>   |       | <b>(79)</b> |

12. The Authority has an excellent record in managing its financial affairs within its resources, and in 2018/19 has performed well, against the original and revised budgets set. 2018/19 was a year when the Authority met significant costs that had arisen within the Estate.

## Financial Outlook

13. 2018/19 and 2019/20 are the final two of the four years of the notified funding period. This has provided the Authority with a high degree of assurance over the level of funding and provides increases of 1.7% per year after many years of declining support.

14. From 2020/21 onwards, funding is less certain. As stated in the Authority report that set the 2018/19 budget:

*The Authority will continue to work hard to manage costs, plan for various scenarios and to develop new income streams. Because of the clear and significant risks to*

*funding in the medium term we need to be very careful to not enter in to new ongoing commitments and must keep on top of the long term liabilities to avoid the risk of them taking up an increased proportion of limited funding.*

15. There are also opportunities and challenges in the medium term from the UK's exit from the European Union and The Designated Landscapes (National Parks and AONBs): 2018 review. In addition, the Authority will have to manage the financial impact of the Job Evaluation review and there remains ongoing financial obligations within the land and building's estate.
16. The Authority stands with a solid financial position through prudent financial management and forward planning with clear and robust plans to meet National Park Partnership Plan targets and objectives.

G Bryant  
Chief Finance Officer  
May 2019

**STATEMENT OF ACCOUNTS 2018/19****2. STATEMENT OF RESPONSIBILITIES****2.1 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 Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

**2.2 The Chief Finance Officer's Responsibilities**

The Chief Finance Officer 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: A Statement of Recommended Practice (the CODE).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent, and
- complied with the local authority CODE

The Chief Finance Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**2.3 Declaration of the Chief Finance Officer:**

**I certify that this Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015 and that it gives a true and fair view of the financial position of Exmoor National Park Authority as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.**

**G Bryant**

**Chief Finance Officer: ..... Date: 24 July 2019**

**Approved by Exmoor National Park Authority:**

**This Statement of Accounts was approved by resolution of the Final Accounts Committee on 24 July 2019.**

**R Milton**

**Chairman: ..... Date: 24 July 2019**

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from National Park Grant. National Park Authorities receive National Park Grant and raise other income to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation (government grant) position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2017/18                   |                                      |                         |  | 2018/19                   |                                      |                         |
|---------------------------|--------------------------------------|-------------------------|--|---------------------------|--------------------------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 (Notes 10 & 11) | Net Expenditure<br>£000 |  | Gross Expenditure<br>£000 | Gross Income<br>£000 (Notes 10 & 11) | Net Expenditure<br>£000 |
| 1,368                     | (418)                                | 950                     | Support to Land Managers   | 1,438                     | (416)                                | 1,022                   |
| 587                       | (167)                                | 420                     | Support to the Community   | 548                       | (130)                                | 418                     |
| 1,006                     | (324)                                | 682                     | Support to National Park Users   | 1,290                     | (387)                                | 903                     |
| 1,365                     | (278)                                | 1,087                   | Support Services   | 1,350                     | (314)                                | 1,036                   |
| 269                       | -                                    | 269                     | Corporate Management   | 289                       | -                                    | 289                     |
| 300                       | (28)                                 | 272                     | Partnership Fund   | 270                       | (12)                                 | 258                     |
| <b>4,895</b>              | <b>(1,215)</b>                       | <b>3,680</b>            | <b>Cost of Services</b>  | <b>5,185</b>              | <b>(1,259)</b>                       | <b>3,926</b>            |
| 6                         | -                                    | 6                       | Other Operating Expenditure (Note 12)  | 7                         | -                                    | 7                       |
| 266                       | (19)                                 | 247                     | Financing and Investment Income and Expenditure (Note 13)                            | 235                       | (26)                                 | 209                     |
| -                         | (3,104)                              | (3,104)                 | Taxation and Non-Specific Grant Income (Note 14)                                     | -                         | (3,157)                              | (3,157)                 |
| <b>5,167</b>              | <b>(4,338)</b>                       | <b>829</b>              | <b>(Surplus)/Deficit on Provision of Services</b>                                    | <b>5,427</b>              | <b>(4,442)</b>                       | <b>985</b>              |
|                           |                                      | (1,225)                 | (Surplus) or deficit on revaluation of Property, Plant and Equipment (Notes 22 & 23) |                           |                                      | (1,077)                 |
|                           |                                      | (893)                   | Remeasurement of Net Defined Benefit Liability/ (Asset) (Note 34)                    |                           |                                      | (504)                   |
|                           |                                      | <b>(2,118)</b>          | <b>Other Comprehensive Income and Expenditure</b>                                    |                           |                                      | <b>(1,581)</b>          |
|                           |                                      | <b>(1,289)</b>          | <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>                  |                           |                                      | <b>(596)</b>            |

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'General Fund Balance' (i.e. Earmarked Reserves and the General Fund proper which can be applied to fund expenditure) and other 'unusable' reserves. The statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to government grants for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

|  | General Fund<br>Balance<br>£000 | Unusable<br>Reserves<br>£000 | Total Authority<br>Reserves<br>£000 |
|--|---------------------------------|------------------------------|-------------------------------------|
| <b>Balance at 31 March 2017</b>  | <b>3,114</b>                    | <b>6,529</b>                 | <b>9,643</b>                        |
| <b>Movement in reserves during 2017/18</b>                                       |                                 |                              |                                     |
| Total Comprehensive Income and Expenditure                                       | (829)                           | 2,118                        | 1,289                               |
| Adjustments between accounting basis & funding basis under regulations (Note 20) | 745                             | (745)                        | -                                   |
| <b>Net Increase/(Decrease)</b>   | <b>(84)</b>                     | <b>1,373</b>                 | <b>1,289</b>                        |
| <b>Balance at 31 March 2018</b>  | <b>3,030</b>                    | <b>7,902</b>                 | <b>10,932</b>                       |
|  |                                 |                              |                                     |
| <b>Movement in reserves during 2018/19</b>                                       |                                 |                              |                                     |
| Total Comprehensive Income and Expenditure                                       | (985)                           | 1,581                        | 596                                 |
| Adjustments between accounting basis & funding basis under regulations (Note 20) | 939                             | (939)                        | -                                   |
| <b>Increase/(Decrease) in 2018/19</b>  | <b>(46)</b>                     | <b>642</b>                   | <b>596</b>                          |
| <b>Balance at 31 March 2019 (Notes 21 and 30)</b>                                | <b>2,984</b>                    | <b>8,544</b>                 | <b>11,528</b>                       |

## 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, i.e. those reserves 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 is 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; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March<br>2018<br>£000 |                              | Notes  | 31 March 2019<br>£000 |
|--------------------------|------------------------------|--------|-----------------------|
| 17,318                   | Property, Plant & Equipment  | 22     | 17,985                |
| 19                       | Heritage Assets              | 23     | 81                    |
| <b>17,337</b>            | <b>Long Term Assets</b>      |        | <b>18,066</b>         |
|                          |                              |        |                       |
| 67                       | Inventories                  | -      | 60                    |
| 253                      | Short Term Debtors           | 26     | 350                   |
| 2,945                    | Cash and Cash Equivalents    | 27     | 2,800                 |
| -                        | Assets Held for Sale         | 24     | 80                    |
| <b>3,265</b>             | <b>Current Assets</b>        |        | <b>3,290</b>          |
|                          |                              |        |                       |
| (16)                     | Receipts in Advance          | -      | (24)                  |
| (254)                    | Short Term Creditors         | 28     | (243)                 |
| <b>(270)</b>             | <b>Current Liabilities</b>   |        | <b>(267)</b>          |
|                          |                              |        |                       |
| (9,400)                  | Other Long Term Liabilities  | 34     | (9,561)               |
| <b>(9,400)</b>           | <b>Long Term Liabilities</b> |        | <b>(9,561)</b>        |
|                          |                              |        |                       |
| <b>10,932</b>            | <b>Net Assets</b>            |        | <b>11,528</b>         |
|                          |                              |        |                       |
| 3,030                    | Usable Reserves              | 29, 21 | 2,984                 |
| 7,902                    | Unusable Reserves            | 30     | 8,544                 |
| <b>10,932</b>            | <b>Total Reserves</b>        |        | <b>11,528</b>         |

### Authorised for Issue

These financial statements replace the unaudited financial statements confirmed by Gordon Bryant, Chief Finance Officer (s.151 Officer) on 31 May 2019. The authorised accounts are authorised for issue by Gordon Bryant, Chief Finance Officer (s.151 Officer) on 24 July 2019.

## 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 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 predicating claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

| <b>2017/18<br/>£000</b> |   | <b>2018/19<br/>£000</b> |
|-------------------------|---|-------------------------|
| <b>829</b>              | <b>Net (surplus) or deficit on the Provision of Services</b>        | <b>985</b>              |
|                         | <i>Adjustments for-</i>   |                         |
| (786)                   | Non Cash Movements (Note 36)  | (1,095)                 |
| <b>43</b>               | <b>Net Cash flows from Operating Activities</b>                     | <b>(110)</b>            |
|                         |   |                         |
| 122                     | Investing Activities (Note 37)                                      | 255                     |
| -                       | Financing Activities (Note 38)                                      | -                       |
| <b>165</b>              | <b>Net (increase)/decrease in Cash and Cash equivalents</b>         | <b>145</b>              |
|                         |   |                         |
| 3,110                   | Cash and Cash Equivalents at the beginning of the reporting period  | 2,945                   |
| <b>2,945</b>            | <b>Cash and Cash Equivalents at the end of the reporting period</b> | <b>2,800</b>            |
|                         |   |                         |
| <b>165</b>              | <b>Net (increase)/decrease in Cash and Cash equivalents</b>         | <b>145</b>              |

## STATEMENT OF ACCOUNTS 2018/19

### NOTES TO THE ACCOUNTS

#### Note 1: Accounting Policies

##### i **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the UK 2018/19 (The Code) supported by International Financial Reporting Standards (IRFS) and statutory guidance issued under section 12 of the 2003 Act.

The Statement of Accounts has been prepared using the going concern and accrual basis. The historical cost convention has been applied, modified by the revaluation of certain categories of non-current assets and financial instruments.

##### ii **Accruals of Income and Expenditure**

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Small amounts outstanding at year end are treated on a payments basis. In total, these do not have a material effect on the year's accounts.



iii **Cash and Cash Equivalents (Note 27)**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change 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.

iv **Prior Period Adjustments, Changes in Accounting Policies and Estimates 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 estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

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

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

vi **Employee Benefits (Notes 16,19)**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Service lines in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable

by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable at the year-end.

#### Post Employment Benefits

Most employees of the Authority are members of the following pension scheme:

- The Local Government Pensions Scheme, administered by Peninsula Pensions.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Authority.

#### *The Local Government Pension Scheme*

**The Local Government Scheme is accounted for as a defined benefits scheme:**

- The liabilities of the SCC LGPS pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond (annualised yield at the 20-year point on the Merrill Lynch AA-rated corporate bond yield curve).
- The assets of SCC pension fund attributable to the Authority are included in the Balance Sheet at their fair values.
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:
- **Service Cost comprising:**
  - Current service cost: the increase in liabilities as a result of years of service earned this year which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the defined liability: i.e. net interest expense for the authority – the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined liability during the period as a result of contribution and benefit payments.

- **Remeasurement comprising:**
  - The return on plan assets: excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Somerset County Council pension fund:
  - Cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

*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 the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii **Events After the Balance Sheet Date (Note 5)**

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

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

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

viii **Financial Instruments (Notes 25 and 33)**

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 are carried at their amortised cost.

Financial assets are classified on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics: there are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit and loss (none)
- Fair value through other comprehensive income (none)

Our business model is to hold investments to collect contractual cashflows. Financial assets are therefore classified at amortised cost (bank deposits and debtors).

Financial assets measured at amortised cost are recognised in the Balance Sheet when we become party to the contractual provisions of the instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits are made to the Financing and Investment Income and Expenditure line in the CIES for interest receivable, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Any gains and losses that arise on derecognition are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model - we recognise expected credit losses on financial assets held at amortised cost either on a 12-month or lifetime basis and also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors). Impairment losses are calculated to reflect the expectation that the future cash flows might not take place due to default. Credit risk plays an important part in assessing losses. Where risk has increased significantly since initial recognition, losses are assessed on a life-time basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses. If expected losses are not material then no allowance will be made.

**ix Government Grants and Contributions (Note 18)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments and
- the grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

**x Inventories**

Inventories held for resale at the three National Park Centres are included in the Balance Sheet at cost. The cost of inventories is assigned using the weighted average costing formula.

**xi Property, Plant and Equipment (Note 22)**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits

or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### De-minimus

Expenditure below £5,000 on property, plant and equipment is treated as revenue expenditure and is charged to the relevant service line in the Comprehensive Income & Expenditure Statement in the year that it is incurred.

### Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority).

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset

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

### Disposals

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against National Park Grant, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Non-current assets-held-for-sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset-held-for-sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

## xii **Contingent Liabilities and Contingent Assets (Note 35)**

### Contingent Assets

Contingent assets are disclosed by way of note where it is probable that there will be an inflow of economic benefits or service potential.

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible 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 liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## xiii **Reserves (Notes 20, 21, 29, 30)**

The Authority sets aside specific amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against National Park Grant for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

## xiv **Heritage Assets (Note 23)**

The Authority's Heritage Assets are assets held by the Authority principally for their contribution to knowledge and/or culture. They are recognised and measured in accordance with the Authority's accounting policies on Property, Plant and Equipment. The authority only recognises two Heritage Assets; the Brendon Hill Incline and the Simonsbath Sawmill. These are recognised at historic cost as there is no market for such assets and no estimate could be made for their rebuild costs as such assets are no longer being built.

## Note 2: Accounting Standards that have been issued but have not yet been adopted

The 2018/19 Code of Practice on Local Authority Accounting requires the Authority to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts.

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2018/19 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2019/20 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Authority's financial statements.

## Note 3: Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

- The accounts have been prepared on a going-concern basis. The concept of going concern assumes that the Authority, its functions and services will continue in operational existence for the foreseeable future. Defra has confirmed National Park Grant for the period 2017/18 to 2019/20, which provides for an annual increase of 1.72%.

## Note 4: Assumptions 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 the assumptions and estimates.

One item in the Authority's Balance Sheet as at 31 March 2019, for which there is a significant risk of material adjustment in forthcoming financial years, is as follows:

| Item                      | Uncertainties  | Effect if Actual Results Differ from Assumptions   |
|---------------------------|--|--|
| <b>Pensions Liability</b> | 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 the Authority with expert | The effects of the net pension 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 £436K. However the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that due to estimates being adjusted (as a result of experience and updating the assumptions) the net |



|  |   |   |
|--|---|---|
|  | advice about the assumptions to be applied. | pension liability had increased by £0.161m. |
|--|---|---|

## **Note 5: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Since the accounts were issued it has become clear that a recent judgement in the Court of Appeal about cases involving judges' and firefighters' pensions (the McCloud/ Sargeant judgement) has the potential to impact on the Authority's Pension liability. We therefore sought an assessment of the potential cost and impact for the Accounts. The professional view of the Authority's Actuary was that the impact is material. The Pensions liability (Past Service Cost) has therefore been adjusted by £0.167m (which is a reasonable approximation for any potential adjustment) and reflects the possible impact of any amendments that may be required to the Local Government Pension Scheme, as a result of the Court of Appeal judgement, see note 34 for further detail.

## **Note 6: Related Parties**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### *Central Government*

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants. Grants received from government departments are set out in the subjective analysis in Note 18 on Grant Income.

### *Members*

Members of the Authority have direct control over the Authority's financial and operating policies. 12 of the Authority's members are also elected members of other local authorities within Devon and Somerset. The Authority's Standing Orders requires a register to be kept of members disclosable pecuniary interests and declarations of related party transactions in a register of interests. In addition members are asked to declare separately any transactions with the Authority. A summary of the Members' allowances paid in 2018/19 is shown in Note 15.

### *Officers*

Officers of the Authority are bound by the Authority's Code of Conduct which seeks to prevent related parties exerting undue influence over the Authority. Senior Officers are required to declare any transactions with the Authority. No transactions have been disclosed.

The Authority's transactions with the Somerset County Council Pension Fund are detailed within Note 34 to the Financial Statements.

## **Note 7: Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, other grants and contributions, sales, fees and charges)

by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2017/18   |  |                                   |   | 2018/19   |  |                                   |
|---|--|-----------------------------------|---|---|--|-----------------------------------|
| Net Expenditure Chargeable to the General Fund £000 | Adjustments between Funding & Accounting basis £000 (Note 8) | Net Expenditure in the CI&ES £000 |   | Net Expenditure Chargeable to the General Fund £000 | Adjustments between Funding & Accounting basis £000 (Note 8) | Net Expenditure in the CI&ES £000 |
| 856   | 94   | 950                               | Support to Land Managers                          | 870   | 152  | 1,022                             |
| 383   | 37   | 420                               | Support to the Community                          | 380   | 38   | 418                               |
| 497   | 185  | 682                               | Support to National Park Users                    | 540   | 363  | 903                               |
| 978   | 109  | 1,087                             | Support Services                                  | 961   | 75   | 1,036                             |
| 245   | 24   | 269                               | Corporate Management                              | 253   | 36   | 289                               |
| 248   | 24   | 272                               | Partnership Fund                                  | 225   | 33   | 258                               |
|   |  |                                   |   |   |  |                                   |
| <b>3,207</b>  | <b>473</b>   | <b>3,680</b>                      | <b>Net Cost of Services</b>                       | <b>3,229</b>  | <b>697</b>   | <b>3,926</b>                      |
|   |  |                                   |   |   |  |                                   |
| (3,123)   | 272  | (2,851)                           | Other Income & Expenditure                        | (3,183)   | 242  | (2,941)                           |
|   |  |                                   |   |   |  |                                   |
| <b>84</b>   | <b>745</b>   | <b>829</b>                        | <b>(Surplus)/Deficit on Provision of Services</b> | <b>46</b>   | <b>939</b>   | <b>985</b>                        |
| <b>(3,114)</b>                                      |  |                                   | <b>Opening General Fund Balance</b>               | <b>(3,030)</b>                                      |  |                                   |
| 84  |  |                                   | Deficit on General Fund in Year                   | 46  |  |                                   |
| <b>(3,030)</b>                                      |  |                                   | <b>Closing General Fund Balance</b>               | <b>(2,984)</b>                                      |  |                                   |

#### Note 8: Note to the Expenditure and Funding Analysis

Adjustments between the Funding and Accounting Basis 2018/19

| Adjustments from the General Fund to arrive at the CIES amounts | Adjustments for Capital Purposes (note a) | Net change for Pensions Adjustment (note b) | Other Differences (note c) | Total Adjustments |
|---|---|---|----------------------------|-------------------|
|   | £000                                      | £000  | £000                       | £000              |
| Support to Land Managers  | 29  | 121   | 2                          | 152               |
| Support to the Community  | (6)                                       | 44  | -                          | 38                |
| Support to National Park Users                                  | 288                                       | 74  | 1                          | 363               |
| Support Services  | (42)                                      | 116   | 1                          | 75                |
| Corporate Management  | -   | 36  | -                          | 36                |
| Partnership Fund  | -   | 32  | 1                          | 33                |
| <b>Net Cost of Services</b>                                     | <b>269</b>                                | <b>423</b>                                  | <b>5</b>                   | <b>697</b>        |
| Other Income & Expenditure                                      | -   | 242   | -                          | 242               |
| <b>Surplus/ Deficit on the Provision of Services</b>            | <b>269</b>                                | <b>665</b>                                  | <b>5</b>                   | <b>939</b>        |

Adjustments between the Funding and Accounting Basis 2017/18

| Adjustments from the General Fund to arrive at the CIES amounts | Adjustments for Capital Purposes (note a) | Net change for Pensions Adjustment (note b) | Other Differences (note c) | Total Adjustments |
|---|---|---|----------------------------|-------------------|
|   | £000                                      | £000  | £000                       | £000              |
| Support to Land Managers  | 15  | 79  | -                          | 94                |
| Support to the Community  | -   | 37  | -                          | 37                |
| Support to National Park Users                                  | 138                                       | 47  | -                          | 185               |
| Support Services  | 22  | 87  | -                          | 109               |
| Corporate Management  | -   | 24  | -                          | 24                |
| Partnership Fund  | -   | 24  | -                          | 24                |
| <b>Net Cost of Services</b>                                     | <b>175</b>                                | <b>298</b>                                  | -                          | <b>473</b>        |
| Other Income & Expenditure                                      | -   | 272   | -                          | 272               |
| <b>Surplus/ Deficit on the Provision of Services</b>            | <b>175</b>                                | <b>570</b>                                  | -                          | <b>745</b>        |

**a) Adjustments for Capital Purposes** - this column adds in depreciation and impairment and revaluation gains and losses in the services line

**b) Net Change for Pensions Adjustments** - Net change for removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **For services** - this represents 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

**c) Other Differences** - other differences debited / credited to the CIES and amounts payable / receivable to be recognised under statute i.e. accumulated absences.

**Notes Supporting the Comprehensive Income and Expenditure Statement**

**Note 9: Material Items of Income and Expenditure**

There are no material items to disclose in 2018/19.

**Note 10: Expenditure and Income Analysed by Nature**

| 2017/18<br>£000 | Expenditure   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 2,512           | Employee Benefits Expenses                            | 2,500           |
| 2,230           | Other Service Expenses                                | 2,527           |
| 159             | Depreciation, Amortisation & Impairment               | 165             |
| 266             | Interest Payments                                     | 235             |
| <b>5,167</b>    | <b>Total Expenditure</b>                              | <b>5,427</b>    |
|                 | <b>Income</b>   |                 |
| (1,215)         | Grants, Fees, Charges and other Service Income        | (1,259)         |
| (3,104)         | Government Grants & Contributions                     | (3,157)         |
| (19)            | Interest & Investment Income                          | (26)            |
| <b>(4,338)</b>  | <b>Total Income</b>                                   | <b>(4,442)</b>  |
| <b>829</b>      | <b>(Surplus)/ Deficit on the provision of service</b> | <b>985</b>      |

## Note 11: Segmental Income

### 2018/19

|                                | <b>Grants &amp; Contributions</b> | <b>Fees &amp; Charges</b> | <b>Sales Income</b> | <b>Other</b> | <b>Total</b>   |
|--------------------------------|-----------------------------------|---------------------------|---------------------|--------------|----------------|
|                                | <b>£000</b>                       | <b>£000</b>               | <b>£000</b>         | <b>£000</b>  | <b>£000</b>    |
| Support to Land Managers       | (388)                             | (23)                      | -                   | (5)          | <b>(416)</b>   |
| Support to the Community       | (4)                               | (126)                     | -                   | -            | <b>(130)</b>   |
| Support to National Park Users | (58)                              | (212)                     | (87)                | (30)         | <b>(387)</b>   |
| Support Services               | (147)                             | (13)                      | (1)                 | (153)        | <b>(314)</b>   |
| Corporate Management           | -                                 | -                         | -                   | -            | -              |
| Partnership Fund               | (4)                               | -                         | -                   | (8)          | <b>(12)</b>    |
| <b>Total Income</b>            | <b>(601)</b>                      | <b>(374)</b>              | <b>(88)</b>         | <b>(196)</b> | <b>(1,259)</b> |

### 2017/18

|                                | <b>Grants &amp; Contributions</b> | <b>Fees &amp; Charges</b> | <b>Sales Income</b> | <b>Other</b> | <b>Total</b>   |
|--------------------------------|-----------------------------------|---------------------------|---------------------|--------------|----------------|
|                                | <b>£000</b>                       | <b>£000</b>               | <b>£000</b>         | <b>£000</b>  | <b>£000</b>    |
| Support to Land Managers       | (390)                             | (24)                      | -                   | (4)          | <b>(418)</b>   |
| Support to the Community       | (75)                              | (93)                      | -                   | -            | <b>(168)</b>   |
| Support to National Park Users | (16)                              | (190)                     | (88)                | (30)         | <b>(324)</b>   |
| Support Services               | (117)                             | (6)                       | (1)                 | (153)        | <b>(277)</b>   |
| Corporate Management           | -                                 | -                         | -                   | -            | -              |
| Partnership Fund               | -                                 | -                         | -                   | (28)         | <b>(28)</b>    |
| <b>Total Income</b>            | <b>(598)</b>                      | <b>(313)</b>              | <b>(89)</b>         | <b>(215)</b> | <b>(1,215)</b> |

## Note 12: Other operating expenditure

| <b>2017/18</b> |  | <b>2018/19</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| -              | (Gains)/Losses on the disposal of non-current assets | -              |
| 6              | IAS19 Administration expense                         | 7              |
| <b>6</b>       | <b>Total</b>   | <b>7</b>       |

## Note 13: Financing and Investment Income and Expenditure

| <b>2017/18</b> |  | <b>2018/19</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 266            | Net interest on the net defined pensions liability | 235            |
| (19)           | Interest receivable and similar income             | (26)           |
| <b>247</b>     | <b>Total</b>                                       | <b>209</b>     |

## Note 14: Taxation and non-specific grant incomes

| <b>2017/18</b> |                                   | <b>2018/19</b> |
|----------------|-----------------------------------|----------------|
| <b>£000</b>    |                                   | <b>£000</b>    |
| (3,104)        | Non-ring fenced government grants | (3,157)        |
| <b>(3,104)</b> | <b>Total</b>                      | <b>(3,157)</b> |

## Note 15: Members Allowances

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

| <b>2017/18</b> |                                  | <b>2018/19</b> |
|----------------|----------------------------------|----------------|
| <b>£000</b>    |                                  | <b>£000</b>    |
| 14             | Special Responsibility Allowance | 15             |
| 58             | Basic Allowance                  | 59             |
| 13             | Allowance for mileage            | 10             |
| <b>85</b>      | <b>TOTAL</b>                     | <b>84</b>      |

## Note 16: Officers' Remuneration

The following table discloses detail of remuneration to the Authority's senior employees who earned over £50,000. There were no senior employees earning over £150,000:

|                           | Salary, Fees and Allowances<br>£000 | Expense Allowance<br>£000 | Total Remuneration (excl. pension contribution)<br>£000 | Pension Contribution<br>£000 | Total Remuneration including pension contribution<br>£000 |
|---------------------------|-------------------------------------|---------------------------|---|------------------------------|---|
| Chief Executive – 2018/19 | 72                                  | -                         | 72  | 11                           | 83  |
| Chief Executive – 2017/18 | 68                                  | -                         | 68  | 10                           | 78  |

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 (including those detailed in the above table) were:

| 2017/18 Number of employees | Remuneration band | 2018/19 Number of employees |
|-----------------------------|-------------------|-----------------------------|
| -                           | £50,000 - £54,999 | -                           |
| -                           | £55,000 - £59,999 | -                           |
| -                           | £60,000 - £64,999 | -                           |
| 1                           | £65,000 - £69,999 | -                           |
| -                           | £70,000 - £74,999 | 1                           |
| -                           | £75,000 - £79,999 | -                           |
| -                           | £80,000 - £89,999 | -                           |

## Note 17: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 12              | Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor. | 9               |
| <b>12</b>       | <b>Total</b>  | <b>9</b>        |

## Note 18: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

|   | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                 |                 |
| National Park Grant – DEFRA                               | 3,104           | 3,157           |
| <b>Total</b>  | <b>3,104</b>    | <b>3,157</b>    |
| <b>Credited to Services</b>                               |                 |                 |
| Brownfield Register – CLG                                 | 5               | 4               |
| Custom Build Grant - CLG                                  | 30              | 30              |
| Woodland Grant & EWGS– Forestry Commission                | 17              | -               |
| Agri- Diffuse Pollution – Environment Agency              | 21              | -               |
| English & SW Coast Paths – Natural England                | 36              | 24              |
| Land Management Project – Natural England                 | -               | 5               |

|   |            |            |
|---|------------|------------|
| Ancient Woodland – The Woodland Trust                 | 27         | -          |
| Withypool Hill Stone Circle – Historic England        | 4          | -          |
| Monument Management Scheme – Historic England         | -          | 45         |
| Health & Wellbeing – Somerset County Council          | -          | 40         |
| Historic Buildings Officer funding – Historic England | 21         | 5          |
| Historic Signposts – Heritage Lottery Fund            |            | 22         |
| Basic Payment & Higher Level Stewardship Scheme – RPA | 98         | 100        |
| Countryside Stewardship – RPA                         | 48         | 48         |
| Rapid Coastal Zone Assessment – Historic England      | 1          | -          |
| <b>Total</b>  | <b>308</b> | <b>323</b> |

#### Note 19: Termination Benefits

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit package cost band (including special payments) | Number of compulsory redundancies |         | Number of other departures agreed |         | Total number of exit packages by cost band |         | Total cost of exit packages in each band £000 |         |
|---|-----------------------------------|---------|-----------------------------------|---------|--|---------|---|---------|
|   | 2017/18                           | 2018/19 | 2017/18                           | 2018/19 | 2017/18                                    | 2018/19 | 2017/18                                       | 2018/19 |
| £0 - £20,000  | -                                 | -       | -                                 | 1       | -  | 1       | -   | 14      |
| £20,001 - £40,000                                   | -                                 | -       | -                                 | -       | -  | -       | -   | -       |
| £40,001 - £60,000                                   | -                                 | -       | -                                 | -       | -  | -       | -   | -       |
| £60,001 - £80,000                                   | -                                 | -       | -                                 | -       | -  | -       | -   | -       |
| £80,001 - £100,000                                  | -                                 | -       | -                                 | -       | -  | -       | -   | -       |
| <b>Total</b>  | -                                 | -       | -                                 | -       | -  | -       | -   | -       |

#### Notes to Support the Movement in Reserves Statement

#### Note 20: 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 to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| 2018/19  | General Fund Balance £000 |
|--|---------------------------|
| <b>Adjustments to Revenue Resources:</b>   |                           |
| <u>Amounts by which income &amp; expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</u>                |                           |
| Pension Costs  | 665                       |
| Holiday pay (transferred to or from the Pensions Reserve)  | 5                         |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 524                       |
| <b>Total Adjustments to Revenue Resources</b>  | <b>1,194</b>              |
| <b>Adjustments between Revenue and Capital Resources:</b>  |                           |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | -                         |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | (255)                     |
| <b>Total Adjustments between Revenue and Capital resources</b>   | <b>(255)</b>              |
| <b>Total Adjustments</b>   | <b>939</b>                |

|  |                                  |
|--|----------------------------------|
| 2017/18  | <b>General Fund Balance £000</b> |
| <b>Adjustments to Revenue Resources:</b>   |                                  |
| Amounts by which income & expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:                           |                                  |
| Pension Costs  | 570                              |
| Holiday pay (transferred to or from the Pensions Reserve)  | -                                |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 297                              |
|  |                                  |
| <b>Total Adjustments to Revenue Resources</b>  | <b>867</b>                       |
|  |                                  |
| <b>Adjustments between Revenue and Capital Resources:</b>  |                                  |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | -                                |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | (122)                            |
| <b>Total Adjustments between Revenue and Capital resources</b>   | <b>(122)</b>                     |
|  |                                  |
| <b>Total Adjustments</b>   | <b>745</b>                       |

## Note 21: Transfers to/from Earmarked Reserves

The Authority's reserve balances are continually reviewed to determine the appropriate level and use. We regularly establish new reserves, assess the appropriate level of existing reserves or cancel reserves that have met their objective. Our reserves are made up as follows:

- General Reserve (unallocated) – this is the minimum level required to maintain working balances (in accordance with CIPFA guidance).
- Partnership Fund Reserves (allocated) – these sums are set aside to meet one-off priorities that assist in the delivery of the Partnership Plan.
- Earmarked Reserves (allocated) – these consist of ring-fenced grants and contributions received from third parties, sums set aside for capital schemes and commitments against future obligations.

It can therefore be seen that the majority of our Reserve Balances are “allocated”. The following table sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in year.

|                               | Balance at 31 March 2017 £000 | Transfers between Reserves £000 | Transfers In 2017/18 £000 | Transfers Out 2017/18 £000 | Increase/ Decrease (-) in useable Reserves 2017/18 £000 | Balance at 31 March 2018 £000 | Transfers between Reserves £000 | Transfers In 2018/19 £000 | Transfers Out 2018/19 £000 | Increase/ Decrease in useable Reserves 2018/19 £000 | Balance at 31 March 2019 £000 |
|-------------------------------|-------------------------------|---------------------------------|---------------------------|----------------------------|---|-------------------------------|---------------------------------|---------------------------|----------------------------|---|-------------------------------|
| Earmarked Reserves            | 1,937                         | 377                             | 507                       | (652)                      | 232   | 2,169                         | 179                             | 478                       | (584)                      | 73  | 2,242                         |
| Partnership Fund Reserves     | 877                           | (347)                           | 269                       | (248)                      | (326)   | 551                           | (125)                           | 206                       | (225)                      | (144)   | 407                           |
| General Fund Balance          | 300                           | (30)                            | 40                        | -                          | 10  | 310                           | (54)                            | 79                        | -                          | 25  | 335                           |
| <b>Total Useable Reserves</b> | <b>3,114</b>                  | <b>-</b>                        | <b>816</b>                | <b>(900)</b>               | <b>(84)</b>   | <b>3,030</b>                  | <b>-</b>                        | <b>763</b>                | <b>(809)</b>               | <b>(46)</b>   | <b>2,984</b>                  |

## Notes to Support the Balance Sheet

### Note 22: Property, Plant and Equipment

#### Movements on Balances

|   | Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Total<br>£000 |
|---|--------------------------|-------------------------------------|---------------|
| <b>Cost or Valuation 1 April 2018</b>   | <b>17,151</b>            | <b>744</b>                          | <b>17,895</b> |
| Additions   | 114                      | 76                                  | 190           |
| De-recognition – Disposals  | (70)                     | (504)                               | (574)         |
| Reclassifications (to)/ from held for sale                                    | (80)                     | -                                   | (80)          |
| Revaluation Increase/ decrease (-):   |                          |                                     |               |
| - to Revaluation Reserve  | 1,083                    | -                                   | 1,083         |
| - to Surplus/ Deficit on the provision of service                             | (367)                    | -                                   | (367)         |
|   |                          |                                     |               |
| <b>Cost or Valuation 31 March 2019</b>  | <b>17,831</b>            | <b>316</b>                          | <b>18,147</b> |
|   |                          |                                     |               |
| <b>Accumulated depreciation 1 April 2018</b>                                  | <b>-</b>                 | <b>(577)</b>                        | <b>(577)</b>  |
| Depreciation Charge   | (76)                     | (89)                                | (165)         |
| Derecognition - Disposals   | -                        | 504                                 | 504           |
| Depreciation written out to the Revaluation Reserve                           | 14                       | -                                   | 14            |
| Depreciation written out to the Surplus/ Deficit on the provision of services | 62                       | -                                   | 62            |
| <b>Total Depreciation at 31 March 2019</b>                                    | <b>-</b>                 | <b>(162)</b>                        | <b>(162)</b>  |
|   |                          |                                     |               |
| <b>Net Book Value at 1 April 2018</b>   | <b>17,151</b>            | <b>167</b>                          | <b>17,318</b> |
|   |                          |                                     |               |
| <b>Net Book Value at 31 March 2019</b>  | <b>17,831</b>            | <b>154</b>                          | <b>17,985</b> |

|   | Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Total<br>£000 |
|---|--------------------------|-------------------------------------|---------------|
| <b>Cost or Valuation 1 April 2017</b>   | <b>16,074</b>            | <b>688</b>                          | <b>16,762</b> |
| Additions   | 66                       | 56                                  | 122           |
| De-recognition – Disposals  | -                        | -                                   | -             |
| Reclassifications   | -                        | -                                   | -             |
| Revaluation Increase/ decrease (-):   |                          |                                     |               |
| - to Revaluation Reserve  | 1,225                    | -                                   | 1,225         |
| - to Surplus/ Deficit on the provision of service                             | (214)                    | -                                   | (214)         |
|   |                          |                                     |               |
| <b>Cost or Valuation 31 March 2018</b>  | <b>17,151</b>            | <b>744</b>                          | <b>17,895</b> |
|   |                          |                                     |               |
| <b>Accumulated depreciation 1 April 2017</b>                                  | <b>-</b>                 | <b>(494)</b>                        | <b>(494)</b>  |
| Depreciation Charge   | (76)                     | (83)                                | (159)         |
| Depreciation written out to the Revaluation Reserve                           | 12                       | -                                   | 12            |
| Depreciation written out to the Surplus/ Deficit on the provision of services | 64                       | -                                   | 64            |
| <b>Total Depreciation at 31 March 2017</b>                                    | <b>-</b>                 | <b>(577)</b>                        | <b>(577)</b>  |
|   |                          |                                     |               |
| <b>Net Book Value at 1 April 2017</b>   | <b>16,074</b>            | <b>194</b>                          | <b>16,268</b> |
|   |                          |                                     |               |
| <b>Net Book Value at 31 March 2018</b>  | <b>17,151</b>            | <b>167</b>                          | <b>17,318</b> |



## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings: 40-80 years
- Vehicles, Plant, Furniture and Equipment: 5-10 years

## Revaluations

The Authority carries out a valuation programme which ensures all Property, Plant and Equipment is measured at fair value in accordance with IAS16 and revalued at least every five years. We are currently revaluing assets every year to ensure that the values stated are materially correct. The valuation date is the 31<sup>st</sup> March. For 2018/19 the valuation was carried out by our in-house Land and Property Manager, Mr Matt Harley MRICS FAAV an accredited member of the RI CS Valuer Scheme in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors – the RICS Valuation – Professional Standards January 2014, Chartered Institute of Public Finance and Accountancy (CIPFA) accounting code and the International Financial Reporting Standards (IFRS) and the RICS Code of Measuring Practice.

There were no capital commitments at the date of the Balance Sheet of 31 March 2019.

### Note 23: Heritage Assets

|   | <b>Heritage Assets<br/>£000</b> |
|---|---------------------------------|
| <b>Cost or Valuation 1 April 2018</b>             | <b>19</b>                       |
| Additions (Simonsbath sawmill)                    | 70                              |
| Revaluation Increase/ decrease (-):               |                                 |
| - to Revaluation Reserve                          | (6)                             |
| - to Surplus/ Deficit on the provision of service | (2)                             |
| <b>Cost or Valuation 31 March 2019</b>            | <b>81</b>                       |
| <b>Cost or Valuation 1 April 2017</b>             | <b>19</b>                       |
| Additions   | -                               |
| Revaluation Increase/ decrease (-):               |                                 |
| - to Revaluation Reserve                          | -                               |
| - to Surplus/ Deficit on the provision of service | -                               |
| <b>Cost or Valuation 31 March 2018</b>            | <b>19</b>                       |

### Note 24: Assets Held for Sale

| <b>31 March 2018<br/>£000</b> |   | <b>31 March 2019<br/>£000</b> |
|-------------------------------|---|-------------------------------|
| -                             | <b>Balance outstanding at the start of the year</b> | -                             |
| -                             | Assets newly classified as held for sale            | 80                            |
| -                             | Assets sold   | -                             |
| -                             | <b>Balance outstanding at the end of the year</b>   | <b>80</b>                     |

### Note 25: Financial Instruments

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Financial Assets: Amortised Cost

| 31 March 2018<br>£000 |                          | 31 March 2019<br>£000 |
|-----------------------|--------------------------|-----------------------|
| 2,900                 | Comingled Fund           | 2,800                 |
| 45                    | Cash in hand and at bank | -                     |
| 237                   | Contractual Debtors      | 328                   |
| <b>3,182</b>          | <b>Total</b>             | <b>3,128</b>          |

## Financial Liabilities: Amortised Cost

| 31 March 2018<br>£000 |                       | 31 March 2019<br>£000 |
|-----------------------|-----------------------|-----------------------|
| -                     | Bank Overdraft        | -                     |
| (210)                 | Contractual Creditors | (203)                 |
| <b>(210)</b>          | <b>Total</b>          | <b>(203)</b>          |

## Interest and Investment Income:

The (gains) and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments is as follows:

| 31 March 2018<br>£000 |                 | 31 March 2019<br>£000 |
|-----------------------|-----------------|-----------------------|
| (19)                  | Interest Income | (26)                  |
| <b>(19)</b>           | <b>Total</b>    | <b>(26)</b>           |

Financial assets and liabilities 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

## Note 26: Debtors

| 31 March 2018<br>£000 |                                       | 31 March 2019<br>£000 |
|-----------------------|---------------------------------------|-----------------------|
| 80                    | Central government bodies             | 118                   |
| 13                    | Other local authorities               | 117                   |
| 33                    | Public corporations and trading funds | 25                    |
| 127                   | Other entities and individuals        | 90                    |
| <b>253</b>            | <b>Total</b>                          | <b>350</b>            |

## Note 27: Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

| 31 March 2018<br>£000 |   | 31 March 2019<br>£000 |
|-----------------------|---|-----------------------|
| 45                    | Bank Current Accounts                           | -                     |
| 2,900                 | Co-mingled fund held by Somerset County Council | 2,800                 |
| <b>2,945</b>          | <b>Total Cash and Cash Equivalents</b>          | <b>2,800</b>          |

## Note 28: Creditors

| 31 March 2018<br>£000 |                                       | 31 March 2019<br>£000 |
|-----------------------|---------------------------------------|-----------------------|
| (54)                  | Other local authorities               | (37)                  |
| (44)                  | Public corporations and trading funds | (40)                  |
| (156)                 | Other entities and individuals        | (166)                 |
| <b>(254)</b>          | <b>Total</b>                          | <b>(243)</b>          |

## Note 29: Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movements in Reserves Statement and in notes 20 and 21.

## Note 30: Unusable Reserves

| 31 March 2018<br>£000 |                                | 31 March 2019<br>£000 |
|-----------------------|--------------------------------|-----------------------|
| (9,141)               | Revaluation Reserve            | (10,217)              |
| (8,196)               | Capital Adjustment Account     | (7,928)               |
| 9,400                 | Pensions Reserve               | 9,561                 |
| 35                    | Accumulated Absences Account   | 40                    |
| <b>(7,902)</b>        | <b>Total Unusable Reserves</b> | <b>(8,544)</b>        |

### Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>(7,916)</b>  | <b>Balance at 1 April</b>  | <b>(9,141)</b>  |
| (1,625)         | Upward revaluation of assets   | (1,644)         |
| 400             | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of Services             | 568             |
| <b>(1,225)</b>  | <b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b> | <b>(1,076)</b>  |
| -               | Difference between fair value depreciation and historical cost depreciation  | -               |
| -               | Accumulated gains on assets sold or scrapped   | -               |
| -               | <b>Amount written off to the Capital Adjustment Account</b>  | <b>-</b>        |
| <b>(9,141)</b>  | <b>Balance at 31 March</b>   | <b>(10,217)</b> |

## Capital Adjustment Account

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

The Account contains accumulated gain and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

Note 22 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2017/18<br>£000                               |  | 2018/19<br>£000 |
|---|--|-----------------|
| (8,371)                                       | <b>Balance at 1 April</b>  | (8,196)         |
|   | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                             |                 |
| 83  | Charges for depreciation and impairment of non-current assets  | 89              |
| 214   | Revaluation losses on Property, Plant and Equipment  | 369             |
| -   | Revenue expenditure funded from capital under statute  | 65              |
| -   | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement |                 |
| (8,074)                                       |  | (7,673)         |
| -   | Adjusting amounts written out of the Revaluation Reserve   | -               |
| (8,074)                                       | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | (7,673)         |
| <b>Capital financing applied in the year:</b> |  |                 |
| -   | Use of the Capital Receipts Reserve to finance new capital expenditure   | -               |
| (122)   | Capital Expenditure charged against the General Fund   | (255)           |
| (8,196)                                       | <b>Balance at 31 March</b>   | (7,928)         |

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation,

changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 9,723           | <b>Balance at 1 April</b>  | 9,400           |
| (893)           | Remeasurement of net defined liability   | (504)           |
| 1,008           | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI & E | 1,096           |
| (438)           | Employer's pensions contributions and direct payments to pensioners payable in the year  | (431)           |
| 9,400           | <b>Balance at 31 March</b>   | 9,561           |

#### Accumulated Absences Account

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

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 35              | <b>Balance at 1 April</b>  | 35              |
| (35)            | Settlement or cancellation of accrual made at the end of the preceding year  | (35)            |
| 35              | Amounts accrued at the end of the current year   | 40              |
| -               | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. | -               |
| 35              | <b>Balance at 31 March</b>   | 40              |

#### Note 31: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The Authority remains Debt Free throughout the periods contained in this Statement of Accounts and therefore does not have incurred expenditure yet to be financed.

|   | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <i>Capital Investment</i>                             |                 |                 |
| Property, Plant & Equipment                           | 122             | 190             |
| Revenue Expenditure Funded from Capital under Statute | -               | 65              |
|   |                 |                 |

|   |     |     |
|---|-----|-----|
| <i>Sources of finance</i>                 |     |     |
| Capital Receipts                          | -   | -   |
| Government Grants and other contributions | -   | -   |
| Sums set aside from revenue               | 122 | 255 |

### **Note 32: Impairment Losses**

The Authority did not recognise any impairment losses during 2018/19 (2017/18 £0k). Impairment losses are recognised as part of the valuation of the authority's non-current assets.

### **Note 33: 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
- Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Chief Finance Officer, under policies approved by the Authority. The Authority has adopted the CIPFA Code of Practice for Treasury Management and as part of this approves an annual Treasury Management Strategy and Practices which sets out the policies on borrowing, investment, credit risk and interest rate exposure.

#### **Credit Risk and Expected Credit Loss Allowances**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Authority's Annual Investment Strategy and investment solely within the Somerset County Council Co-mingled Fund.

Amounts arising from expected credit losses would normally be established for investments and debtors based upon estimates of the losses that might be incurred if those owing money to the Authority fail to pay it back. As our primary counter party is a public body and as statute prevents a local authority from default, we have concluded that the expected credit loss is not material and therefore no allowance has been made.

The Authority's standard terms and conditions for payment of invoices (trade receivables) are 28 days from invoice date. Low risk, no history of default and with signed agreements in place with third parties, we have concluded that the expected credit loss is not material therefore no allowance has been made.

#### **Liquidity Risk**

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available when needed. Surplus cash is invested using an overnight clearing system operated by Somerset County Council.

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.

## Market Risk

The Authority is currently debt free and does not have any investments in equity shares or financial assets or liabilities denominated in foreign currencies. Market Risk is therefore limited to Interest Rate Risk on our cash investments.

- Interest Risk

In terms of short-term cash investments, the variable rate of interest earned on surplus funds moves during the year and any assumptions in annual budgets are made cautiously based on current market and treasury forecasts. A 1% movement in interest rates would result in approximately £30,000 more or less than budget if investments were held for a year.

## Note 34: Defined Benefit Pension Schemes

Participation in Pension Schemes:

As part of the terms of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in a post-employment scheme:

- The Local Government Pension Scheme, administered locally by Somerset County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

A recent judgement in the Court of Appeal about cases involving judges' and firefighters' pensions (the McCloud/Sargeant judgement) has the potential to impact on the Authority. The cases concerned possible age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. As the Local Government Pension Scheme was restructured in 2014, with protections for those members who were active in the Scheme at 2012 and over the age of 55, the judgement is likely to extend to the Scheme.

However, the potential impact is uncertain. Even though the Supreme Court has refused the Government's application to appeal the judgement. No decisions have been made about the remedies that would be required or the extent to which additional costs would fall on the Authority.

On the presumption that the remedy (still to be determined) is for the Authority to incur costs in extending protections to all members who were active at 31 March 2012 until their retirement, the Authority's Actuary has estimated that the effect of this decision would be:

- To increase pension the liability in the balance sheet at 31 March 2019 by £0.167million; and
- To increase the projected service cost for 2019/20 by £0.020million

It should be noted that the estimated potential impact for the Authority as calculated by the Actuary has also been based on analysis carried out by the Government Actuary's Department (GAD) and our own employer liability profile.

## Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid out as pensions. However, the charge we are required to make is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movements in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year:

|  | 2017/18<br>£000               | 2018/19<br>£000                     |
|--|-------------------------------|-------------------------------------|
| <i>Service Cost</i>  |                               |                                     |
| <ul style="list-style-type: none"> <li>• Current Service Cost</li> <li>• Past Service Costs (including curtailments)</li> </ul>  | 736<br>-                      | 854<br>-                            |
| <b>Total Service Cost</b>  | <b>736</b>                    | <b>854</b>                          |
|  |                               |                                     |
| <i>Financing and Investment Income and Expenditure</i>   |                               |                                     |
| <ul style="list-style-type: none"> <li>• Net interest on the defined liability (asset)</li> <li>• Administration expenses</li> </ul>   | 266<br>6                      | 235<br>7                            |
| <b>Total Net Interest</b>  | <b>272</b>                    | <b>242</b>                          |
|  |                               |                                     |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>  | <b>1,008</b>                  | <b>1,096</b>                        |
|  |                               |                                     |
| <i>Remeasurement of the Net Defined Liability Comprising:</i>  |                               |                                     |
| <ul style="list-style-type: none"> <li>• Return on plan assets excluding amounts included in net interest</li> <li>• Experience gain/(loss) on defined benefit obligation</li> <li>• Actuarial losses arising from changes in demographic assumptions</li> <li>• Actuarial losses arising from changes in financial assumptions</li> <li>• Other actuarial gains &amp; losses on assets</li> </ul> | (236)<br>-<br>-<br>(657)<br>- | (323)<br>-<br>(1,259)<br>1,078<br>- |
| <b>Total re-measurements recognised in Other Comprehensive Income</b>  | <b>(893)</b>                  | <b>(504)</b>                        |
|  |                               |                                     |
| <b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>115</b>                    | <b>592</b>                          |
|  |                               |                                     |
| <b>Movement in Reserves Statement</b>  |                               |                                     |
| <ul style="list-style-type: none"> <li>• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code</li> </ul>  | <b>(1,008)</b>                | <b>(1,096)</b>                      |
|  |                               |                                     |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>  |                               |                                     |
| <ul style="list-style-type: none"> <li>• Employer's contributions payable to scheme</li> </ul>   | <b>438</b>                    | <b>431</b>                          |

**Pension Assets and Liabilities in Relation to Post-Employment Benefits Recognised in the Balance Sheet**

|  | 2017/18<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| Present value of funded obligation                           | (20,969)        | (21,785)        |
| Fair value of employer assets                                | 12,880          | 12,513          |
| Present value of unfunded obligation                         | (311)           | (289)           |
|  |                 |                 |
| <b>Net Liability Arising from Defined Benefit Obligation</b> | <b>(9,400)</b>  | <b>(9,561)</b>  |
|  |                 |                 |

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

|                                   | 2017/18<br>£000 | 2018/19<br>£000 |
|-----------------------------------|-----------------|-----------------|
| <b>Opening Balance at 1 April</b> | <b>(21,021)</b> | <b>(21,280)</b> |
| Current service cost              | (736)           | (687)           |
| Interest cost                     | (583)           | (538)           |
| Change in financial assumptions   | 657             | (1,078)         |



|  |                 |                 |
|--|-----------------|-----------------|
| Change in demographic assumptions                      | -               | 1,259           |
| Experience loss / (gain) on defined benefit obligation | -               | -               |
| Estimated benefits paid net of transfers in            | 503             | 512             |
| Past service costs, including curtailments             | -               | (167)           |
| Contributions by scheme participants                   | (123)           | (118)           |
| Unfunded pension payments                              | 23              | 23              |
|  |                 |                 |
| <b>Closing Balance at 31 March</b>                     | <b>(21,280)</b> | <b>(22,074)</b> |

#### Reconciliation of the Movements in Fair Value of the Scheme (plan) Assets:

|   | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Opening Balance at 1 April</b>                         | <b>11,298</b>   | <b>11,880</b>   |
| Interest on assets  | 317             | 303             |
| Return on assets less interest                            | 236             | 323             |
| Other actuarial gains/(losses)                            | -               | -               |
| Administration expenses                                   | (6)             | (7)             |
| Contributions by employer including unfunded              | 438             | 431             |
| Contributions by scheme participants                      | 123             | 118             |
| Estimated benefits paid plus unfunded net of transfers in | (526)           | (535)           |
|   |                 |                 |
| <b>Closing Balance at 31 March</b>                        | <b>11,880</b>   | <b>12,513</b>   |

The liabilities show the underlying commitments that the authority has to pay post-employment (retirement) benefits. The total liability of £9,561k (2017/18 £9,400k) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in the overall balance of £11,528k (2017/18 £10,931k). However, arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

#### The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

|                           | 2017/18       |             | 2018/19       |             |
|---------------------------|---------------|-------------|---------------|-------------|
|                           | £000          | %           | £000          | %           |
| Equities                  | 8,480         | 71%         | 8,746         | 70%         |
| Gilts                     | 643           | 6%          | 711           | 5%          |
| Other Bonds               | 1,113         | 9%          | 1,143         | 9%          |
| Property                  | 1,128         | 10%         | 1,089         | 9%          |
| Cash and cash equivalents | 516           | 4%          | 824           | 7%          |
| <b>Total</b>              | <b>11,880</b> | <b>100%</b> | <b>12,513</b> | <b>100%</b> |

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Authority in the year to 31 March 2020 is £408k.

#### 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' dependant on assumptions about mortality rates, salary levels, etc. The LGPS liabilities have been assessed by Barnett and Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation as at 31 March 2016.

#### The principal assumptions used by the actuary have been:

|  | 2017/18   | 2018/19   |
|--|-----------|-----------|
| <i>Mortality assumptions</i>   |           |           |
| Longevity at 65 for current pensioners:                              |           |           |
| • Men  | 24.0      | 22.9      |
| • Women  | 25.2      | 24.0      |
| Longevity at 65 for future pensioners:                               |           |           |
| • Men  | 26.2      | 24.6      |
| • Women  | 27.5      | 25.8      |
| Rate of Inflation (RPI/CPI)  | 3.3%/2.3% | 3.4%/2.4% |
| Rate of increase in salaries   | 3.8%      | 3.9%      |
| Rate of increase in pensions   | 2.3%      | 2.4%      |
| Rate for discounting scheme liabilities                              | 2.55%     | 2.40%     |
| Take-up of option to convert annual pension into retirement lump sum | 50%       | 50%       |
| Take-up of active members to pay 50% contributions for 50% benefits  | 10%       | 10%       |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2017/18.

| <b>Sensitivity Analysis</b>                              | £000    | £000   | £000    |
|--|---------|--------|---------|
| Adjustment to discount rate                              | +0.1%   | 0.0%   | -0.1%   |
| Present value of total obligation                        | 21,638  | 22,074 | 22,518  |
| Projected service cost                                   | 685     | 702    | 720     |
| Adjustment to long term salary increase                  | +0.1%   | 0.0%   | -0.1%   |
| Present value of total obligation                        | 22,119  | 22,074 | 22,028  |
| Projected service cost                                   | 702     | 702    | 702     |
| Adjustment to pension increases and deferred revaluation | +0.1%   | 0.0%   | -0.1%   |
| Present value of total obligation                        | 22,472  | 22,074 | 21,683  |
| Projected service cost                                   | 720     | 702    | 685     |
| Adjustment to mortality age rating assumption            | +1 Year | None   | -1 Year |
| Present value of total obligation                        | 22,883  | 22,074 | 21,293  |
| Projected service cost                                   | 724     | 702    | 680     |

### **Note 35: Contingent Liabilities/Assets**

Devon County Council agreed as part of its Investing in Devon Programme to grant the sum of £600,000 to support the refurbishment, improvement and adaptation of Lynmouth Pavilion. A contingent liability exists as part of the grant conditions require that in the event of the premises ceasing to be used as a visitor and interpretation centre and learning hub during the period of 20 years from the date of completion of the Project the Grantee shall repay the Grant to the Council but subject to a reduction of five per cent for each complete

year which has elapsed following the date of completion of the project. With the completion date being the 8 August 2013 at the balance sheet date a contingent liability exists for £450,000.

The Authority is owed approximately £90k in relation to a long running listed buildings enforcement case. Whilst the Authority has received some monies in respect of this case and will eventually recover the money in full, given the protracted nature of this case over the last 10 years, recovery of the costs may take some time.

### **Notes to Support the Cash Flow Statement**

#### **Note 36: Cash Flow Statement – Adjustments to surplus or deficit on the Provision of Services for non-cash movements**

| <b>2017/18<br/>£000</b> |  | <b>2018/19<br/>£000</b> |
|-------------------------|--|-------------------------|
| (83)                    | Depreciation and Amortisation  | (89)                    |
| (214)                   | Impairment and Downward Valuations   | (369)                   |
| (570)                   | Actuarial Charges for Retirement Benefits  | (665)                   |
| -                       | Increase/(Decrease) in Inventory   | (7)                     |
| 60                      | Increase/(Decrease) in Debtors   | 97                      |
| 21                      | (Increase)/Decrease in Creditors & Receipts in Advance                                     | 3                       |
| -                       | Capital Grants & Contributions credited to surplus or deficit on the provision of services | (65)                    |
| -                       | Carrying amount of Non-Current Assets de-recognised  | -                       |
| <b>(786)</b>            |  | <b>(1,095)</b>          |

#### **Note 37: Cash Flow Statement – Investing Activities**

| <b>2017/18<br/>£000</b> |  | <b>2018/19<br/>£000</b> |
|-------------------------|--|-------------------------|
| 122                     | Purchase of property, plant and equipment, investment property and intangible assets               | 255                     |
| -                       | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -                       |
| <b>122</b>              | <b>Net cash flows from investing activities</b>  | <b>255</b>              |

#### **Note 38: Cash Flow Statement – Financing Activities**

| <b>2017/18<br/>£000</b> |   | <b>2018/19<br/>£000</b> |
|-------------------------|---|-------------------------|
| -                       | Cash receipts of short and long-term borrowing  | -                       |
| -                       | Other receipts from financing activities  | -                       |
| -                       | Cash payments for the reduction of the outstanding liabilities relating to finance leases | -                       |
| -                       | Repayment of short and long-term borrowing  | -                       |
| -                       | Other payments for financing activities   | -                       |
| -                       | <b>Net cash flows from financing activities</b>   | -                       |



## ANNUAL GOVERNANCE STATEMENT

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

- 1.1 Exmoor National Park 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 in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 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 the management of risk.
- 1.3 Exmoor National Park Authority has approved and adopted a 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 can be obtained from the Chief Executive, Exmoor House, Dulverton, TA22 9HL. This statement explains how the Authority has complied with the code and also meets the requirements of regulations 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

### 2. **The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and the culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and the leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 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 and aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 A governance framework has been in place at Exmoor National Park Authority for the year ended 31 March 2018 and up to the date of approval of the Corporate Plan and statement of accounts.

### 3. **The Governance Framework**

- 3.1 The key elements of the governance framework include:
  - A National Park Partnership Plan that contains a vision, priorities and a corporate strategy to meet National Park purposes;
  - An annual review of the Authority's priorities as contained in the National Park Partnership Plan;
  - The production of a Medium Term Financial Plan taking account of the anticipated level of National Park Grant;

- The production of a Corporate Plan that includes data on performance and objectives both achieved and planned;
- Committee papers that are linked to National Park Partnership Plan or Corporate Plan objectives and in compliance with equality and human rights legislation;
- Standing orders and financial regulations to regulate the conduct of the Authority's affairs;
- A Scheme of Delegation which sets out the functions and workings of the Authority and the powers delegated to Committees and the Chief Executive;
- Formal codes of conduct which define the standards of personal behaviour of members and staff. The code for Members was initially adopted in 2012 along with the establishment of a Standards Committee comprising 5 Authority members and the appointment of an "Independent Person" under the provisions of the 2011 Localism Act. A further process was the provision of guidance on the registration of interests. This was reviewed and refined in August 2012 with recommendations to Authority for standards arrangements and for the provision of member training on the new standards regime;
- Responsibility for audit matters are retained by the Authority;
- A Solicitor and Monitoring Officer who has a statutory responsibility supported by the Chief Finance Officer and financial regulations to ensure the legality of transactions, activities and arrangements the Authority enters;
- Financial management arrangements of the Authority which conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) ;
- A Complaints procedure and a whistle-blowing policy in place for members of the public, members, staff or contractors;
- An Anti Fraud, Corruption and Bribery Policy;
- An ICT Acceptable Use Policy;
- Risk Management Policy, Registers and Business Continuity and Disaster Recovery systems which are approved, in place and subject to annual regular review;
- Extensive arrangements for partnership working on a range of projects. Partnership working is crucial to the achievement of the priorities set out in the National Park Partnership Plan.
- A staff performance and development review process which identifies training and development needs;
- Training, briefing and induction programmes for members; and
- Wide consultation with interested parties and an Exmoor Consultative and Parish Forum meets to engage with the community and a Local Access Forum considers access and rights of way issues. Numerous diverse organisations are represented on these consultative mechanisms.

#### **4 Review of Effectiveness**

- 4.1 Exmoor National Park Authority has responsibility for conducting at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive and Heads of Section within the Authority who have responsibility for the development and maintenance of the governance environment, the annual report on internal audit, and by the Annual Governance Report of the external auditors.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is:

- The adoption of an updated Code of Corporate Governance in March 2017 with an annual review by the National Park Authority carried out by the Authority's Solicitor and Monitoring Officer to ensure compliance with the Code and audited by the Chief Finance Officer;
- Adoption of Standing Orders, the scheme of delegation and financial regulations which are periodically reviewed, updated and approved;
- Reports to the Authority on performance management including sustainability and the corporate planning and performance framework;
- Annual reports presented to the Authority in respect of internal audit which is a contracted service, and from the external auditor appointed by the Audit Commission;
- Annual reports presented to the Authority on risk management, performance indicators and treasury management; and
- An internal audit service is contracted from the Devon Audit Partnership and an annual work programme is agreed with the Chief Finance Officer with the internal auditors producing an annual report covering their activities for presentation to the Authority.

**5. Significant governance issues**

5.1 In general the governance and internal control systems within the Authority are working effectively and have been reviewed by the Solicitor and Monitoring Officer and the Chief Finance Officer and are independently validated by the internal and external auditors.

5.2 During 2019/20 the Authority will be:

- Continuing the communication and implementation of the 2018-23 National Park Partnership Plan;
- Producing guidance on the recently adopted Local Plan;
- Working with Defra to deliver the eight points of the recently developed National Parks Plan;
- Monitoring new legislation and changes in policy to ensure that account is taken of the impact on National Parks and National Park communities;
- Responding to the Glover review;
- Continuing to operate within limited resources while increasing revenue from alternative sources;
- Develop options to ensure the continued management of resources in a new funding era;
- Implement the results of the job evaluation review;
- Undertake a review of procurement policies and practices;
- Continuing to develop customer service standards and culture; and
- Monitoring the performance of the Corporate Plan.

5.3 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 annual review.

**Signed** .....

Mrs S Bryan, Chief Executive

R Milton, Chairman

**Date** .....