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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**

21 December 2021

## **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 **Tuesday 11 January 2022 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 6 October 2020 (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 2020/21**  
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 2020/21.
  - To consider the Audit Findings Report for 2020/21.
  - To consider and approve the Letter of Representation.
  - To adopt the Statement of Accounts for 2020/21.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 6 October 2020 at 3.00pm via Microsoft Teams Video Conferencing software.

**PRESENT**

Mr R Milton (Chairman)

Miss A V Davis

Mr R Edgell

Mr M Ellicott

Mrs F Nicholson

Mr S Pugsley

**In Attendance:**

Mrs S Bryan, Chief Executive

Mr G Bryant, Chief Finance Officer

Ms J Coles, Corporate Support Officer

Mr M Bartlett, Grant Thornton

Mr G Mills, Grant Thornton

1. **APOLOGIES FOR ABSENCE:** Apologies for absence were received from Mr J Patinos, Miss E Stacey and Mr V White
2. **DECLARATIONS OF INTEREST:** There were no declarations of interest.
3. **MINUTES:** The Minutes of the meeting of the Final Accounts Committee held on 24 July 2019 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 2019/20**

The Committee considered the report of the Chief Finance Officer.

Gareth Mills and Mark Bartlett of Grant Thornton, presented the Audit Findings report to the Committee which summarised the 2019/20 audit of the Authority's financial statements and its arrangements to secure value for money in its use of resources.

The Covid-19 pandemic meant that the audit process was carried out remotely which resulted in it taking longer than would normally have been the case.

06 October 2020

The Committee was advised that the audit process was substantially complete, with assurances still awaited from audits on the Pension Fund and Somerset County Council who operate the payroll system for the Authority. It is anticipated that Grant Thornton will issue a clean unqualified audit opinion, however it will include an emphasis of matter paragraph in relation to the valuation of land and buildings in the park. This is in line with official guidance from the Royal Institution of Chartered Surveyors (RICS) as a result of uncertainty around valuations due to the Covid-19 pandemic, and is not unique to the Authority.

The audit concluded that the draft financial statements and supporting working papers were prepared to a high standard and gave a true and fair view of the Authority's reported financial position as at 31 March 2020. Based on the work performed during the audit, it was confirmed that the Authority had in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources.

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.

**RESOLVED:**

1. To receive the Audit Findings Report of the External Auditor as set out in Annex 1 to the report and to confirm that the changes contained within the report have been carried out.
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 2019/20 as set out in Annex 3 to the report.

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

The meeting closed at 3.37pm.

(Chairman)

## EXMOOR NATIONAL PARK AUTHORITY

### FINAL ACCOUNTS COMMITTEE

11 January 2022

### STATEMENT OF ACCOUNTS FOR 2020/21

#### 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 2020/21 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 2020/21 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 sought is still to be confirmed.

**Climate Change Response:** It has been assessed that this report does not have an adverse impact on our ability to respond to climate change.

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#### 1. THE AUDIT FINDINGS REPORT

- 1.1 The Audit Findings Report has been produced by Gareth Mills, Director for Grant Thornton, and is attached at Annex 1. It is anticipated that an auditor from Grant Thornton will be virtually 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 2020/21. 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 This year the regulations require the accounts to be adopted by 30 November. The audit had not been completed by this date however and so we put up a notice on our website explaining the reasons for this.
- 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, some minor adjustments and disclosures have been made to the accounts – these adjustments will be referred to within the Audit Findings Report. These amendments have an insignificant impact on the financial outcome for 2020/21 and the financial position of the Authority at 31 March 2021. The updated and final Statement of Accounts is attached at Annex 3 for adoption. Following adoption these will be signed by the Chairperson.
- 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**  
**December 2021**

# The Audit Findings (ISA260) Report for Exmoor National Park Authority

Year ended 31 March 2021

26 November 2021



# Contents



Your key Grant Thornton team members are:

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**This Audit Findings 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. Its contents have been discussed with management.**

**Gareth D Mills**

**Name : Gareth Mills, Key Audit Partner and Engagement Lead**

**For Grant Thornton UK LLP**

**Date : 26 November 2021**

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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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# 1. 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 2021 for those charged with governance.

## Financial Statements

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 give a true and fair view of the financial position of the Authority and its income and expenditure for the year
- 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.

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.

Our audit work was completed on site from October to November. Our findings are summarised in Section Two of this report. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement or level of useable reserves.

A small number of presentational and disclosure amendments are detailed at Appendix C. We have also raised recommendations for management as a result of our audit work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.

At present, there are no matters of which we are aware that would require modification of our audit opinion (included at Appendix E) or material changes to the financial statements.

Our work is substantially complete although we are finalising our procedures in the following areas:

- completion of our internal quality review process, including final reviews of the file by both the Manager and Engagement Lead
- receipt of signed management representation letter
- review of the final signed set of financial statements, Narrative Report and Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion.

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.

Our anticipated audit report opinion will be unmodified. However, we are expecting to include an Emphasis of Matter paragraph highlighting the material uncertainty of the valuation of land and buildings as a result of Covid-19, as highlighted by the Authority's valuer and disclosed within the Authority's financial statements.

Subject to satisfactory completion of the outstanding audit procedures, we plan to issue our audit opinion following the Authority Meeting on 7 December 2021.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix F to this report.

We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

We have completed sufficient work to satisfy ourselves that our VFM work remaining would not have a material impact on the financial statements which we have audited. We have not identified any significant weaknesses in respect of the Authority's VFM arrangements from our work to date.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Auditor's Report in February 2022.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

## Acknowledgements

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

## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings (ISA260) 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
- 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 our Audit Plan as communicated to you on 4 May 2021.

### 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 Authority meeting on 7 December 2021, as detailed at Appendix E.

#### Acknowledgements

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

## 2. Financial Statements



### 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 levels remain the same as reported in our Audit Plan in May 2021. We detail in the table below our determination of materiality for the Authority.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	100k	Financial statement materiality was determined based on a proportion of the gross expenditure of the Authority for the financial year.
Trivial matters	5k	Set at 5% of materiality
Materiality for senior officer remuneration	10k	Due to perceived public interest in these disclosures.



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>ISA240 revenue risk</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <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</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> <p>Therefore we do not consider this to be a significant risk for Exmoor National Park Authority.</p>
<p><b>Valuation of land and buildings</b></p> <p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£18.8 million in the 2019-20 balance sheet) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2021. The Authority have engaged an external valuer in 2020-21, having used an internal valuer in previous years.</p> <p>We therefore identified valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>• written to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register</li> <li>• evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> <p>We note that the valuers have included a material uncertainty paragraph in their valuation report as a result of Covid-19 and the unprecedented set of circumstances on which to base their valuations. The Authority has disclosed this material uncertainty in the draft financial statements.</p> <p>We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the external valuer's report, which has been disclosed in note 22 of the accounts.</p> <p>Our audit work to date has not identified any further issues in respect of valuation of land and buildings.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has identified that one of the Authority's finance team who regularly posts journals is a "Super User" on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement. Therefore we have raised a recommendation at Appendix A for the Authority to review this level of access.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (c£9.8 million in the 2019-20 balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the **Authority's pension fund net liability** as a significant risk, which was one of the most significant assessed risks of material misstatement.


As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the actuary regarding the material experience items. These are material pension related figures that relate to the impact of correcting the estimates made in the years between the triennial revaluations of the pension fund
- obtained assurances from the auditor of Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.





Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £19.1m	<p>Other land and buildings comprises £17.4m of assets that are not specialised in nature and are required to be valued at existing use in value (EUV). The remainder of land and buildings (£1.7m) are specialised assets where no market exists which are required to be valued at depreciated replacement cost (DRC).</p> <p>The Authority has engaged NPS (SW) Ltd to complete the valuation of properties as at 31 March on an annual basis. All assets were revalued as at 31 March 2021.</p> <p>The Authority's valuer disclosed a material uncertainty in the valuation of the Authority's land and buildings at 31 March 2021 as a result of Covid-19. The Authority has included disclosures on this issue in Note 22.</p> <p>The valuation of assets together with other in-year movements has resulted in an overall net increase of £726k.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of <b>management's expert</b></li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Reviewed the assumptions used by the expert, including the floor areas</li> <li>Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets</li> <li>Considered the adequacy of disclosure of the estimate and Covid related material uncertainty in the financial statements.</li> </ul> <p>There are no significant issues arising from our work.</p>	<p> <b>Green</b></p>

### Assessment

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



## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate

**Summary of management's approach**

Audit Comments

Assessment

**Net pension liability – £14.1m**

The Authority's net pension liability at 31 March 2021 is £14.1m (PY £9.8m) comprising the Somerset Local Government defined benefit pension scheme obligations. The Authority uses Barnet 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 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been a £7.1m net actuarial loss during 2020-21.

We have:

- Assessed management's expert
- Assessed the actuary's approach taken and deemed it reasonable
- Used PwC as auditor's expert to assess actuary and assumptions made by actuary







Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.0%	1.95 – 2.05%	● Green
Pension increase rate	2.85%	2.80 – 2.85%	● Green
Salary growth	3.85%	Value is in line with PwC report	● Green
Life expectancy – Males currently aged 45 / 65	24.4 / 23.1	Values are in line with PwC report	● Green
Life expectancy – Females currently aged 45 / 65	26.0 / 24.6	Values are in line with PwC report	● Green

- Confirmed the completeness and accuracy of the underlying information used to determine the estimate
- Confirmed the reasonableness of the Authority's share of LPS pension assets.
- Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

●  
Green

## 2. Internal control issues identified

Rec	Assessment	Issue and risk	Recommendations
1	 <b>High</b>	One of the Authority's finance team who regularly posts journals is a "Super User" on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement.	The Authority must review which staff have "Super User" access on SAP. In order to prevent the risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, this should not include any individuals involved in the regular posting of journals.
2	 <b>Medium</b>	Our walkthrough of the process and controls for the net pension fund liability identified that the cashflow data used by the actuary for their work is sent by the Pension Fund to the actuary directly with no management checks by the Authority. There is a risk of data that does not agree with the Authority's records being submitted to the Actuary and their work being based on inaccurate information as a result.	In the future, the Authority's management controls over the pension fund should include agreement of the contribution data sent to the actuary.
3	 <b>Medium</b>	The Authority does not have a Service Level Agreement (SLA) in place with Somerset County Council for the provision of Payroll/IT services. The previous SLA was with SouthWest One, an organisation which no longer exists. This potentially exposes the Authority to the potential risk of being unable to resolve any issues or disputes over service delivery occur.	The Authority should agree a new SLA with Somerset CC that reflects the arrangements currently in place.
4	 <b>Medium</b>	Our review of cybersecurity arrangements identified that the Authority is relying on Somerset County Council's arrangements in many instances. For example, the Authority does not have a cybersecurity framework in place or management oversight of this area. As there is no current Service Level Agreement in place with Somerset County Council to cover these areas, the Authority should have its own arrangements in place.	The Authority should develop its own cybersecurity arrangements and ensure that there is appropriate management oversight of this area.
5	 <b>Medium</b>	Our testing of a sample of 15 items of expenditure in 2021-22 for completeness identified an invoice of £3,400 that related to 2020-21 that had not been accrued for. We tested a further sample of 15 items with no significant issues identified.	This represents a control failure as this amount should have accrued for. It also means that expenditure in 2020-21 is understated by £3,400 – which we accept is not material. The Authority should review its procedures to ensure that all items that should be accrued for are identified and accounted for in the correct financial year.
6	 <b>Low</b>	Our testing of the useful lives of assets identified two assets (both related to solar panels) that had been removed from the Fixed Asset Register but were still owned by the Authority.	We recommend that assets should remain on the Fixed Asset Register until disposed of by the Authority. The Authority should also review asset values and lives when assets that are still in use have been reduced to a £nil net book value.

## 2. Financial Statements - 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
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Authority. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation has been requested from the Authority, which is included in the Authority papers. As in the prior year, we have requested a specific representation in respect of the Authority's accounting treatment of c£18k of monies held in the Authority's bank account which is not included in the Authority's accounts.

## 2. Financial Statements - other communication requirements



Issue	Commentary
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Authority's banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.  The accounting policy for Heritage Assets needed to be updated as it referred to these assets being valued at historic cost when they were revalued by the external valuer in 2020-21.  Other presentational disclosure issues are included at Appendix C.
<b>Audit evidence and explanations / significant difficulties</b>	All information and explanations requested from management was provided promptly. The Authority's finance team were extremely responsive to audit queries throughout the audit, and we would like to thank the Head of Finance and Operations and his team for their help and support during the audit process.

## 2. Financial Statements - other communication requirements



### 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).

Issue	Commentary
<b>Going concern</b>	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the 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>We identified a small number of minor suggested amendments to the AGS and these have been adequately updated by management.</p> <p>We did identify some areas where the Narrative Report could be enhanced in 2019-20 and the follow up of the recommendation made in last year's report is at Appendix B.</p> <p>No significant inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul> <p>We have nothing to report on these matters.</p>



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>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> <p>Note that work is not yet completed as we are awaiting guidance from the NAO. The Authority are below the WGA audit threshold so we are only required to perform minimal procedures.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification of the closure of the 2020-21 audit of the Authority in the audit report, as detailed at Appendix E, due to the ongoing VFM work and WGA procedures as outlined above. Once this work is completed, we will be able to certify the closure of the 2020-21 audit of the Authority.</p> <p>This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of audit instructions for the WGA work.</p>

# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020-21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Authority's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



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## 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix G to this report (and was sent to the Chair in September). We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work to date has not identified any risks of significant weakness in the Authority's arrangements, and we have not identified any issues that would have an impact on our opinion on the financial statements.

Our work covers three key areas and considers the arrangements in place at the Authority in the 2020-21 financial year in respect of:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

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## 4. 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix D.

### 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 other audit or non-audit services are provided to the Authority.

### Transparency




Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)




Appendices

# A. Action Plan – Audit of Financial Statements

We have identified the following recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021-22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>1</p> <p> High</p>	<p>One of the Authority’s finance team who regularly posts journals is a “Super User” on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement.</p>	<p>The Authority must review which staff have “Super User” access on SAP. In order to prevent the risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, this should not include any individuals involved in the regular posting of journals.</p> <p><b>Management response</b></p> <p>We will remove the ‘super user’ powers from the relevant member of staff.</p>
<p>2</p> <p> Medium</p>	<p>Our walkthrough of the process and controls for the net pension fund liability identified that the cashflow data used by the actuary for their work is sent by the Pension Fund to the actuary directly with no management checks by the Authority. There is a risk of data that does not agree with the Authority’s records being submitted to the Actuary and their work being based on inaccurate information as a result.</p>	<p>In the future, the Authority’s management controls over the pension fund should include agreement of the contribution data sent to the actuary.</p> <p><b>Management response</b></p> <p>We are happy to check this data in future.</p>
<p>3</p> <p> Medium</p>	<p>The Authority does not have a Service Level Agreement (SLA) in place with Somerset County Council for the provision of Payroll/IT services. The previous SLA was with SouthWest One, an organisation which no longer exists. This potentially exposes the Authority to the potential risk of being unable to resolve any issues or disputes over service delivery occur.</p>	<p>The Authority should agree a new SLA with Somerset CC that reflects the arrangements currently in place.</p> <p><b>Management response</b></p> <p>We will again approach SCC with a view to establishing an SLA. There are doubts over the necessity or additional benefit such a document would bring.</p>

# A. Action Plan – Audit of Financial Statements (continued)

	Assessment	Issue and risk	Recommendations
4	 Medium	<p>Our review of cybersecurity arrangements identified that the Authority is relying on Somerset County Council's arrangements in many instances. For example, the Authority does not have a cybersecurity framework in place or management oversight of this area. As there is no current Service Level Agreement in place with Somerset County Council to cover these areas, the Authority should have its own arrangements in place.</p>	<p>The Authority should develop its own cybersecurity arrangements and ensure that there is appropriate management oversight of this area.</p> <p><b>Management response</b></p> <p>SCC is only responsible for the Payroll and Finance system as regards cyber security. It is not accurate to say that the Authority does not have its own cybersecurity arrangements in place. We have a raft of practices, policies and procedures. We will however seek to put in place a cybersecurity framework with appropriate SLT support and oversight.</p>
5	 Medium	<p>Our testing of a sample of 15 items of expenditure in 2021-22 for completeness identified an invoice of £3,400 that related to 2020-21 that had not been accrued for. We tested a further sample of 15 items with no significant issues identified.</p>	<p>This represents a control failure as this amount should have accrued for. It also means that expenditure in 2020-21 is understated by £3,400 – which we accept is not material. The Authority should review its procedures to ensure that all items that should be accrued for are identified and accounted for in the correct financial year.</p> <p><b>Management response</b></p> <p>We accept that there was an 'old year' invoice which was paid in the new financial year. We have a cut off date to facilitate the early closure of accounts and sometimes this means that invoices are in the wrong year.</p>
6	 Low	<p>Our testing of the useful lives of assets identified two assets (both related to solar panels) that had been removed from the Fixed Asset Register but were still owned by the Authority.</p>	<p>We recommend that assets should remain on the Fixed Asset Register until disposed of by the Authority. The Authority should also review asset values and lives when assets that are still in use have been reduced to a £nil net book value.</p> <p><b>Management response</b></p> <p>We will review our asset lives of vehicles, plant and equipment.</p>

## B. Follow up of prior year recommendations

We identified the following issues in the audit of Exmoor National Park Authority's 2019-20 financial statements, which resulted in three recommendations being reported in our 2019-20 Audit Findings (ISA260) Report.

We have followed up on the implementation of our recommendations and note our findings in the table on the right.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	There were some issues regarding the timeliness of receipt of supporting documentation not being available to conclude our sample testing (until intervention from the Chief Finance Officer).	The audit was carried out on site in 2020-21 and we have not had any issues with delays in the provision of supporting documentation.
X	The disclosures in the Narrative Report could be enhanced by further details on the Medium Term Financial Plan and plans to address any future resource shortfalls.	<p>The Narrative Report in 2020-21 does not contain any reference to the Medium Term Financial Plan. Management consider that the Revenue Budget report is where Authority members will look if they wish to see information on this area.</p> <p>Our view is that the Narrative Report would be enhanced by further details on the Medium Term Financial Plan and we will continue to have discussions with the Authority in our planning for 2021-22. The Statement of Accounts is a public document that is published on the Authority's website, and its readers are a wider stakeholder group than just Authority members.</p>
✓	<p>The National Park Grant (NPG) for 2021-22 onwards has not been confirmed and the Authority's Medium Term Financial Plan currently assumes increases in NPG higher than was received in 2020-21. The Authority should start modelling for worst case scenarios in future DEFRA funding.</p> <p>The Authority should begin modelling for options for how it would deal with the potential budget gaps that may arise depending on the level of National Park Grant awarded in future.</p>	This recommendation has been actioned by the Authority with modelling of different options reported in the Medium Term Financial Plan report to the Authority in March 2021. We will consider the Medium Term Financial Plan in more detail as part of our VFM work.

### Assessment

- ✓ Action completed
- X Not yet addressed

# C. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on useable reserves £'000
None	-	-	-
<b>Overall impact</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	Adjusted?
Heritage assets	The accounting policy for Heritage assets in note 1 to the accounts states that they are valued at historic cost but the two heritage assets have been revalued in the year by the external valuer. The accounting policy should be updated to reflect the correct valuation basis.	✓
Cash and cash equivalents	The cash and cash equivalents figure on the balance sheet is net position of the bank overdraft on the Authority's main bank account and the Co-mingled Fund held by Somerset CC. These two cash balances of (£45k) and £2,900k respectively, should be shown gross on face of the balance sheet where there is no right of offset.	✓
General	A small number of other amendments have been made to the draft accounts to correct minor disclosure and presentational issues that do not warrant being individually reported to Those Charged with Governance.	✓

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# C. Audit Adjustments



## Impact of unadjusted misstatements

At the date of this report there are no unadjusted misstatements.

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2019-20 financial statements.



# D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee (as per Audit Plan)	Final fee
Authority scale fee set by PSAA	£9,004	£9,004
Audit fee variations	£7,000*	£7,000*
<b>Total audit fees (excluding VAT)</b>	<b>£16,004</b>	<b>£16,004</b>

Reconciliation of the fees to note 18 of the financial statements:

£9k – Note 18 of the financial statements

£7k – Audit fee variations

£16k - Total fees as per table

- Any changes to the 2020-21 scale fee will need to be approved by PSAA. MHCLG has set aside £15m of funding to deal with the expected increase in 2020-21 audit fees, a direct response to one of the key findings of the Redmond Review into local authority external audit which reported in September 2020. We understand that national parks will have access to this funding to mitigate the direct financial impact on the Authority of this increase in audit fees.

No non-audit services have been undertaken for the Authority.

# E. Audit opinion (Draft)

Our draft audit opinion is included below.

We anticipate we will provide the Authority with an unmodified ‘clean’ audit report with the inclusion of an “emphasis of matter” regarding the material uncertainty in the valuation of land and buildings as a result of Covid-19

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

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Exmoor National Park Authority (the ‘Authority’) for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) [ISAs (UK)] and applicable law, as required by the Code of Audit Practice [2020] (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority’s disclosures over the going concern period.

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

In auditing the financial statements, we have concluded that the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the ‘Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements’ section of this report.

# E. Audit opinion (Draft)

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

We draw attention to Notes 4 and 22 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2021. As disclosed in notes 4 and 22 to the financial statements, the potential impact of the Coronavirus pandemic on property values has led to a material valuation uncertainty on property valuation being disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

## Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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

# E. Audit opinion (Draft)

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

As explained 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. 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 2020/21, 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 Authority 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.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 Local Government Act 2003 and the Local Government Act 1972.
- We enquired of senior officers and the Authority, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit, and the Authority, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

# E. Audit opinion (Draft)

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of the risk of management override of controls and fraudulent revenue recognition. We determined that the principal risks were in relation to:
    - journals and transactions outside the course of business.
    - management estimates in particular those relating to land and buildings valuations and the valuation of the net pension fund liability
  - Our audit procedures involved:
    - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on unusual and high risk journals made during the year and accounts production stage; and
    - considering the reasonableness of estimates and judgements made by management.
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
  - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
  - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings valuations and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government sector
    - understanding of the legal and regulatory requirements specific to the Authority including:
      - the provisions of the applicable legislation
      - guidance issued by CIPFA, LASAAC and SOLACE
      - the applicable statutory provisions.
  - In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

# E. Audit opinion (Draft)

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

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

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

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

### Responsibilities of the Authority

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

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

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

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

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

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

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

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

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

### Use of our report

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

### Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor  
Leeds

# F. Audit letter in respect of delayed VFM work

Chair of Authority  
Exmoor National Park Authority  
Exmoor House  
Dulverton  
Somerset  
TA22 9HL

21 September 2021

Dear Mr Milton

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We will be working on our VFM arrangements review of the Authority over the coming months and expect to present our report to the Authority at the Authority Meeting in February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Turning to our audit of the Authority's 2020-21 accounts, our audit work is due to commence in October. Should the audit progress as planned, we are targeting to present our Audit Findings ISA260 Report to the Authority Meeting on 7 December, with a view to signing our opinion before the Christmas period.

Yours sincerely

**Gareth**

Gareth Mills  
Key Audit Partner & Engagement Lead for Exmoor National Park Authority



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A member of National Parks England and National Parks UK

Grant Thornton UK LLP  
 No 1 Whitehall Riverside  
 Whitehall Road  
 Leeds  
 LS1 4BN

**11 January 2022**

Dear Sirs

**Exmoor National Park Authority  
 Financial Statements for the year ended 31 March 2021**

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 2021 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 2020/21 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 2020/21 ("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. We understand our responsibilities includes identifying and considering alternative, methods,

assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. 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.
- vii. 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
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. 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.
- ix. 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.
- x. We have considered the misclassification and disclosures changes schedule included in your Audit Findings Report. The Authority's financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the Authority means that, notwithstanding any intention to liquidate the Authority or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

- xiv. We confirm that we are holding a cash balance of £18,069 as at 31 March 2021 in respect of a deposit linked to those who rent the Pavilion cafe in Lynmouth. We are not able to spend this cash, nor do we control it. We are acting as the banker for this money, and it is excluded from the Authority's financial statements.

### Information Provided

- xv. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. 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.
- xix. 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:
- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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

- xxiv. 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

- xxv. 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's financial statements.

**Approval**

The approval of this letter of representation was minuted by the Authority at its meeting on 11 January 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Authority**

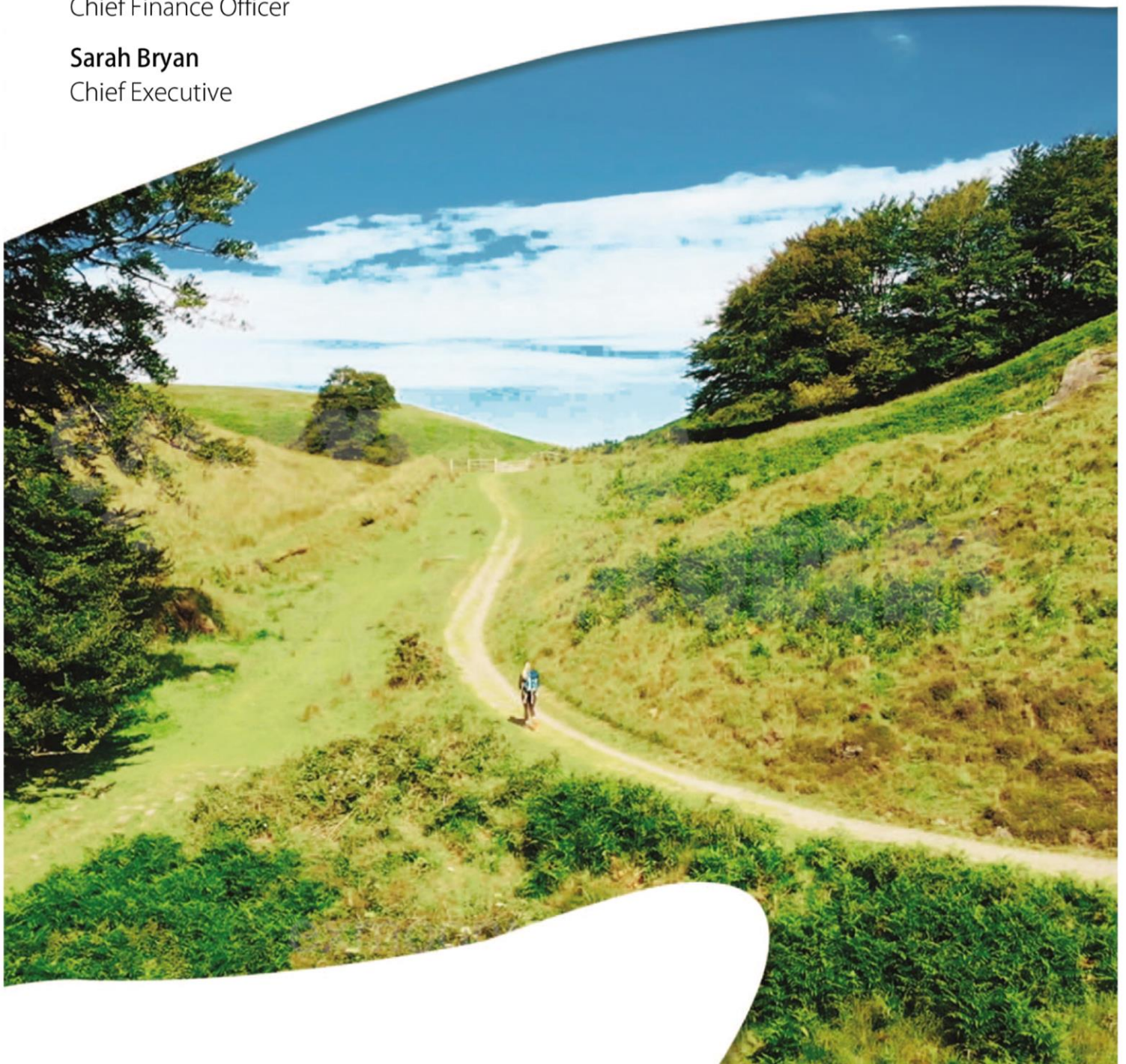


# Exmoor National Park

## Statement Of Accounts 2020/21

**Gordon Bryant**  
Chief Finance Officer

**Sarah Bryan**  
Chief Executive



**AUDITED STATEMENT OF ACCOUNTS****2020/21****CONTENTS**

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## STATEMENT OF ACCOUNTS 2020/21

### 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 organizations, 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 (AGS) 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.
5. The AGS also details the impact of the pandemic on governance in 2020/21. Authority meetings were undertaken remotely and much partnership working was disrupted as projects were unable to be progressed in person.
6. An enhanced governance relationship with Defra began in 2019/20. This included an annual formal agreement and additional reporting requirements.

## Organisation

7. 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.

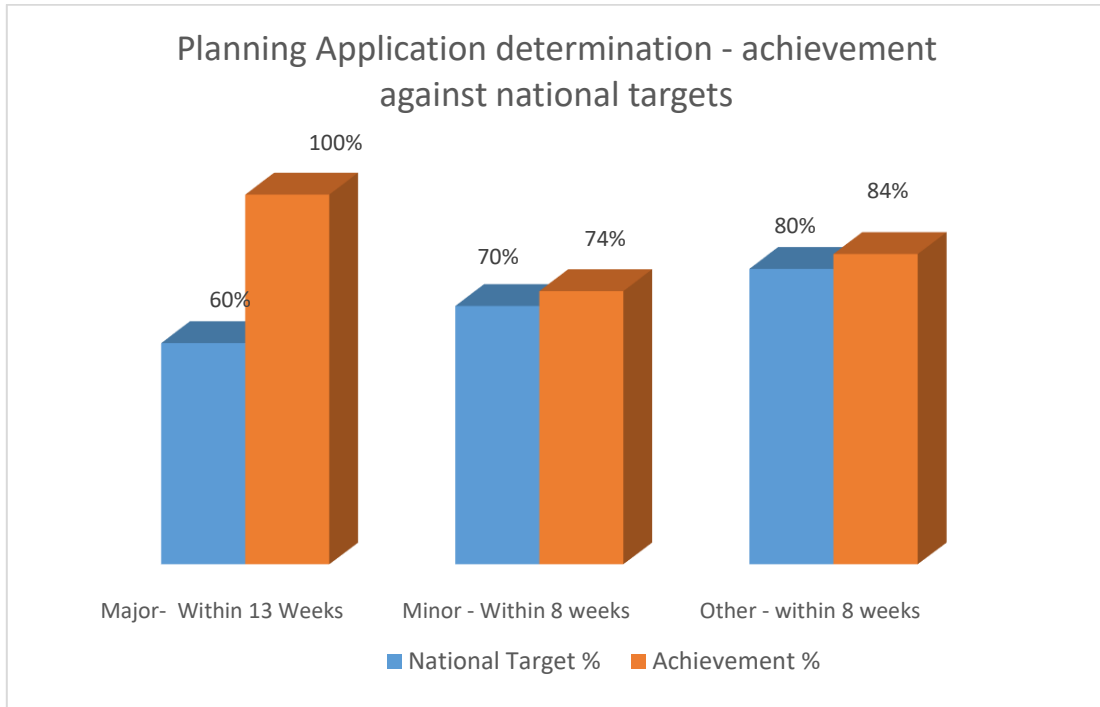
## Performance

8. 2020/21 saw the completion of the single year Corporate plan for the Authority. A mid-year report of progress in implementing the previous Business Plan was taken to the Authority in December 2020, and the full report went to the Authority in July 2021 alongside the draft accounts. <https://www.exmoor-nationalpark.gov.uk/about-us/meetings-agendas-reports/exmoor-national-park-authority/06-jul-2021/ar-enpa-06.07.21-Item-14.pdf>
9. Progress against key corporate indicators is given in the charts below. 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.
10. The worldwide Covid-19 pandemic took hold during the last few weeks of 2019/20, and following the Government lockdown in March 2020, and 2 further lockdowns, the Authority closed all premises including offices, Field Services depot, National Park Centres, Pinkery Outdoor Education Centre, car parks and toilets, and cancelled all events. Many staff moved to home-working, although some (particularly field based, outreach and visitor services staff) were unable to continue their work from home, and many others were only able to work part time from home due to caring and home-schooling responsibilities. There has inevitably been an impact on delivery of the Corporate Plan priorities.
11. For an analysis of performance in 2020/21 that goes beyond the Key Corporate Indicators please look to the Authority report that will be submitted in July.

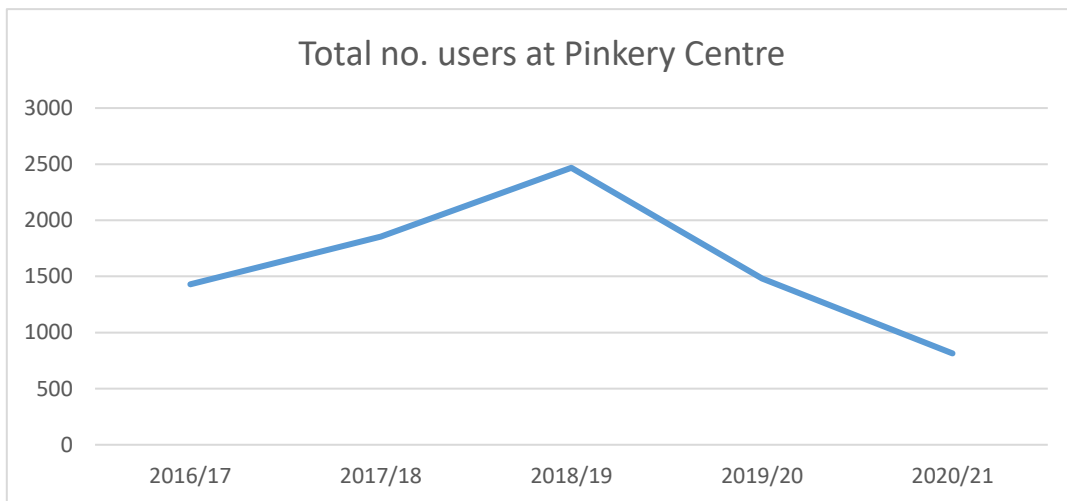


# Key Corporate Indicators 1 April 2020 to 31 March 2021

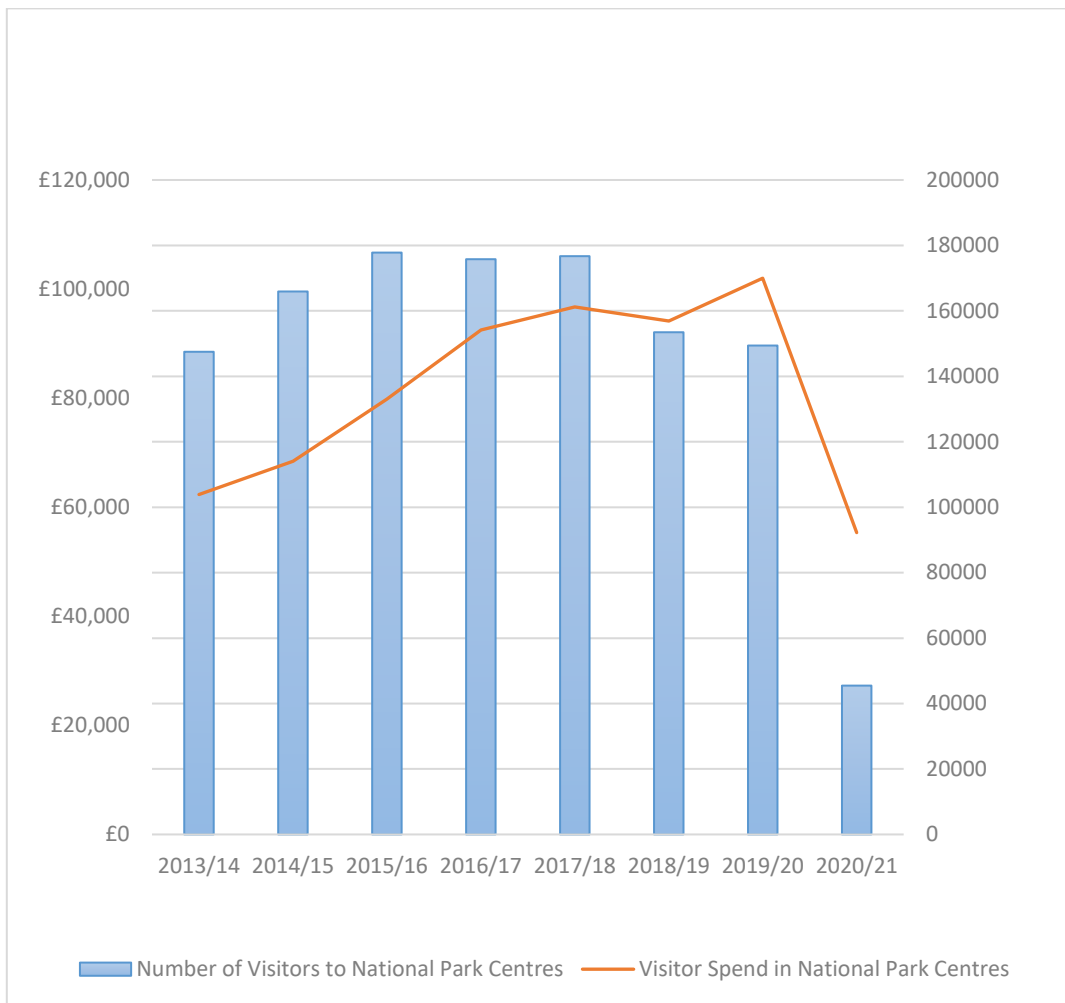
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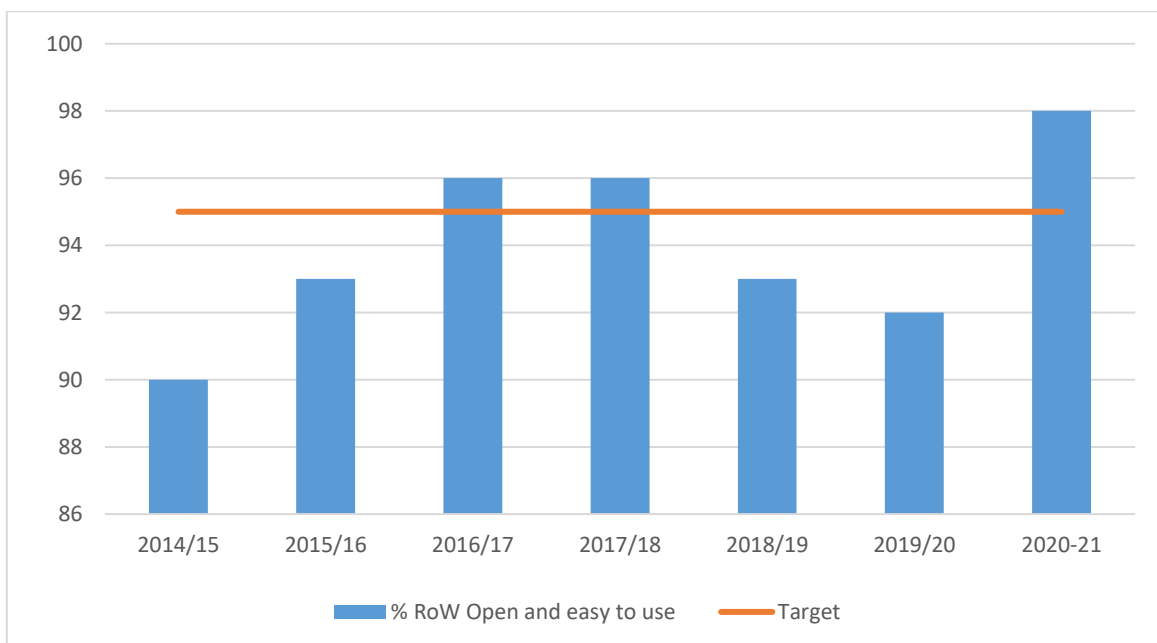
## Pinkery Centre Occupancy rates



## National Park Centre Visitor Numbers and Income Trend



## Rights of Way Open and Easy to Use Score



12. 2020/21 is notable for being the year when Woodside Bridge near Lynmouth was built, further work was undertaken on White Rock Cottage at Simonsbath, new servers were introduced, and the Authority continued to manage the impact of Ash Die-Back on its Woodland Estate. It was also the year when the DEFRA funded 'tests and Trials' were undertaken.

## **Financial Statements**

13. Information relating to financial performance for the year ended 31 March 2021 is contained in the following statements:

### **Comprehensive Income and Expenditure Statement (page 11);**

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 deficit for 2020/21 of £3.779m. This contrasts with a surplus of £0.391 for 2019/20.

### **Movement in Reserves Statement (page 12);**

This statement shows the movement in the year on the different reserves held by the authority, analysed between 'usable' and other 'unusable' reserves. 'Usable' reserves are made up of Earmarked Reserves, General Fund Balances and Capital Receipts. 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.

Usable reserves increased by £39k over the course of 2020/21 to £2.923m and unusable decreased over the same period to £5.2m from £9.0m. The increase in usable reserves is due to £100k of capital receipts.

### **Balance Sheet (page 13)**

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 £8.1m of assets in excess of its liabilities at the end of 2020/21. This is a decrease of £3.8m which is primarily due to an increase in the pensions deficit caused by changes to demographic and financial assumptions. The Authority owns £19.3m 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 14)**

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 increased by £92k over the course of 2020/21.

## Financial Performance

14. The revenue budget for 2020/21 was agreed on the 3 March 2020. 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 £3,730,300 and income of £788,200 giving a net requirement of £2,942,100.
  - A Partnership budget involving expenditure of £269,400 of which £74,400 was top sliced for priority elements, £20,000 set aside for small grants and £175,000 added to reserves.
  
15. This was the budget that was set after receiving the very late notification of no inflationary increase and receiving funding for 'biodiversity' to bring us back to a cash neutral position. Schemes had to be removed from the budget in order that a balanced budget could be set.
  
16. When the Authority closed the accounts for 2019/20 in July there was a further opportunity to rebalance resources. At this point the impact of the pandemic was becoming clearer also. To the Authority the financial impact was assessed as most likely to be felt at the Outdoor Education Centre at Pinkery, car parking and retail sales at the National Park Centres. Government support was received for the National Park Centres and for Pinkery and additional funds were also put aside for the anticipated deficit there. The Authority also established a Covid Response Fund to assist social and community groups with the immediate impact of the pandemic.
  
17. The Authority considered a revised budget and reviewed the elements of the budget at its meeting on 3 November 2020. Additional resources were found for Environmental Resilience and to fund the redundancy process. Funding was also found in year for improvements to the car parks and visitor facilities at the Valley of Rocks and at Ashcombe.
  
18. The key financial outcomes for the year ended 31 March 2021 are:
  - The timing of the pandemic meant that the Authority was able to plan ahead for the assumed financial impacts. That, and government support, meant that Covid 19 did not produce immediate, unmanageable financial pressures. ENPA received gross support of £162k but, unlike other comparable organizations we did not require emergency funding, nor did we furlough any staff.
  - The revenue outturn for the year recommends that funds are redistributed towards the Environmental Resilience and Development of the Planning Service Reserves. Also, a Rural Enterprise Reserve has been established with funds from external funding and related underspends.
  - The core budget shows an underspend for the year of £104k 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>35</b>
<i>Non Cash Transactions</i>		
Reverse Depreciation & Impairment charges	(50)	
Reverse IAS19 Pensions transactions	(417)	
Net transfers from earmarked reserves	(165)	
Asset written of on disposal	20	
Add in Capital Expenditure funded from Revenue	175	
Add in Capital Expenditure funded from Capital Grants	22	
Movement in Employee absence Accrual	(29)	
Upwards Revaluation of Assets	305	
<b>Management Accounts Budget Surplus</b>		<b>(104)</b>

19. 2020/21 was an unusual year but the Authority has continued to perform well against the original and revised budgets set. New challenges continue to arise, but the Authority continues to invest, adapt and evolve to meet these.

## Financial Outlook

20. In recent years the Authority has been successful in managing resources and meeting obligations in the context of a slightly increasing or flat National Park Grant. This has been less than ideal but has at least provided stability and the time to seek out new sources of income.
21. We do not know what the National Park Grant figures will be in future years but we do now know of a new funding stream that will provide much needed additional financial capacity for the delivery of national park purposes. The 'Farming in Protected Landscapes' programme will give National Park Authorities and Areas of Outstanding Natural Beauty the opportunity to deliver a programme of work, aimed at land managers, which delivers elements of the 25 Year Environment Plan. The Authority has sought this for many years and is excited to be a part of it. There is the possibility that in the future, NPAs will have a closer role in the delivery of the new Environmental Land Management Schemes.
22. At the point when this Narrative Report is produced it appears probable that the worst of the financial impact of the pandemic is known. Our outdoor education centre is again providing a residential experience to children, the car parks are busy and visitors are returning to the National Park Centres. We have also received £40k in 'Restart Grants' from Government to facilitate this transition in 2021/22.
23. There will always be challenges arising and pressures to manage however, the Authority continues to maintain a solid financial position and opportunities from the Glover Review and new funding streams will also continue to arise.

G Bryant  
Chief Finance Officer  
November 2021

**STATEMENT OF ACCOUNTS 2020/21****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 Chief Finance Officer's Certificate:**

**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 2021 and its income and expenditure for the year ended 31 March 2021.**

**G Bryant**

**Chief Finance Officer: ..... Date: 11<sup>th</sup> January 2022**

**Approval of Accounts:**

**I confirm that these accounts were approved by resolution of the Final Accounts Committee on 11<sup>th</sup> January 2022.**

**Chairman: ..... Date: 11<sup>th</sup> January 2022**

## 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.

2019/20				2020/21		
Gross Expenditure £000	Gross Income £000 (Notes 10 & 11)	Net Expenditure £000		Gross Expenditure £000	Gross Income £000 (Notes 10 & 11)	Net Expenditure £000
1,435	(487)	948	Support to Land Managers	1,685	(428)	1,257
494	(166)	328	Support to the Community	627	(224)	403
951	(341)	610	Support to National Park Users	283	(332)	(49)
1,373	(289)	1,084	Support Services	1,251	(271)	980
263		263	Corporate Management	264		264
238	(17)	221	Partnership Fund	195		195
<b>4,754</b>	<b>(1,300)</b>	<b>3,454</b>	<b>Cost of Services</b>	<b>4,305</b>	<b>(1,255)</b>	<b>3,050</b>
9	-	9	Other Operating Expenditure (Note 12)	8	(20)	(12)
225	(30)	195	Financing and Investment Income and Expenditure (Note 13)	225	(17)	208
-	(3,211)	(3,211)	Taxation and Non-Specific Grant Income (Note 14)	-	(3,211)	(3,211)
<b>4,988</b>	<b>(4,541)</b>	<b>447</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>4,538</b>	<b>(4,503)</b>	<b>35</b>
		(596)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (Notes 22 & 23)			(74)
		(242)	Remeasurement of Net Defined Benefit Liability/ (Asset) (Note 34)			3,818
		<b>(838)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>3,744</b>
		<b>(391)</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>3,779</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 Balance £000	Capital Receipts Unapplied £000	Total Usable reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019</b>	<b>2,984</b>	-	<b>2,984</b>	<b>8,544</b>	<b>11,528</b>
<b>Movement in reserves during 2019/20</b>					
Total Comprehensive Income and Expenditure	(447)	-	<b>(447)</b>	838	<b>391</b>
Adjustments between accounting basis & funding basis under regulations (Note 20)	347	-	<b>347</b>	(347)	-
<b>Net Increase/(Decrease)</b>	<b>(100)</b>	-	<b>(100)</b>	<b>491</b>	<b>391</b>
<b>Balance at 31 March 2020</b>	<b>2,884</b>	-	<b>2,884</b>	<b>9,035</b>	<b>11,919</b>
<b>Movement in reserves during 2020/21</b>					
Total Comprehensive Income and Expenditure	(35)	-	<b>(35)</b>	(3,744)	<b>(3,779)</b>
Adjustments between accounting basis & funding basis under regulations (Note 20)	(26)	100	<b>74</b>	(74)	-
<b>Increase/(Decrease) in 2020/21</b>	<b>(61)</b>	<b>100</b>	<b>39</b>	<b>(3,818)</b>	<b>(3,779)</b>
<b>Balance at 31 March 2021 (Notes 21 and 31)</b>	<b>2,823</b>	<b>100</b>	<b>2,923</b>	<b>5,217</b>	<b>8,140</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 2020 £000		Notes	31 March 2021 £000
18,765	Property, Plant & Equipment	22	19,281
81	Heritage Assets	23	92
<b>18,846</b>	<b>Long Term Assets</b>		<b>19,373</b>
74	Inventories	-	67
256	Short Term Debtors	26	214
2,800	Cash and Cash Equivalents	27	2,900
80	Assets Held for Sale	24	-
<b>3,210</b>	<b>Current Assets</b>		<b>3,181</b>
(16)	Receipts in Advance	-	(8)
(37)	Cash and Cash Equivalents	27	(45)
(246)	Short Term Creditors	28	(288)
<b>(299)</b>	<b>Current Liabilities</b>		<b>(341)</b>
(9,838)	Other Long Term Liabilities	34	(14,073)
<b>(9,838)</b>	<b>Long Term Liabilities</b>		<b>(14,073)</b>
<b>11,919</b>	<b>Net Assets</b>		<b>8,140</b>
2,884	Usable Reserves	21,29	2,923
9,035	Unusable Reserves	31	5,217
<b>11,919</b>	<b>Total Reserves</b>		<b>8,140</b>

## Authorised for Issue

The un-audited Accounts were authorised for issue by the Chief Finance Officer on 18 June 2021.

The audited Accounts were authorised for issue by the Chief Finance Officer on 11 January 2022.

## 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>2019/20 £000</b>		<b>2020/21 £000</b>
<b>447</b>	<b>Net (surplus) or deficit on the Provision of Services</b>	<b>35</b>
	<i>Adjustments for-</i>	
(741)	Non Cash Movements (Note 36)	(224)
<b>(294)</b>	<b>Net Cash flows from Operating Activities</b>	<b>(189)</b>
331	Investing Activities (Note 37)	97
-	Financing Activities (Note 38)	-
<b>37</b>	<b>Net (increase)/decrease in Cash and Cash equivalents</b>	<b>(92)</b>
2,800	Cash and Cash Equivalents at the beginning of the reporting period	2,763
<b>2,763</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>2,855</b>
<b>37</b>	<b>Net (increase)/decrease in Cash and Cash equivalents</b>	<b>(92)</b>

## STATEMENT OF ACCOUNTS 2020/21

### NOTES TO THE ACCOUNTS

#### Note 1: Accounting Policies

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

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. 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 2020/21 (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 16,34)**

#### 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)**

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 19)**

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, 31)**

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. Both of these are valued at Existing Use Value.

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

The 2020/21 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 2020/21 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.

IFRS16 Finance Leases was to have been introduced in the 2020/21 code. However, CIPFA has since deferred the start date (twice) until 1 April 2022. The impact of IFRS 16 cannot yet be estimated and work will be undertaken to inform the impact on the 2022/23 Accounts. There are therefore no accounting changes due in 2021/22 that are anticipated to have a material effect on the Authority's financial performance or financial position.

## **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. There is no indication that Defra or Central Government intends to abolish National Park Authorities.

## **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.

Two items in the Authority's Balance Sheet as at 31 March 2021, for which there is a significant risk of material adjustment in forthcoming financial years, is as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<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 advice about the assumptions to be applied.	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 £627K. However the assumptions interact in complex ways. During 2020/21, the Authority's actuaries advised that due to estimates being adjusted (as a result of experience and updating the assumptions) the net pension liability had increased by £4.2m.

<b>Property Plant and Equipment</b>	Market uncertainty for opinions of value in response to the potential impact of the Coronavirus pandemic	Valuation decreases would impact on the value of the Authority's balance sheet. The property portfolio is valued at either current value or depreciated replacement cost. Valuations have been undertaken on an annual basis in recent years and there is an expectation that markets will return to normal in time. The situation will be kept under review.
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#### **Note 5: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 11 January 2022. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **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 19 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 2020/21 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 35 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.

2019/20				2020/21		
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
1,113	(165)	948	Support to Land Managers	1,075	182	1,257
298	30	328	Support to the Community	376	27	403
532	78	610	Support to National Park Users	442	(491)	(49)
957	127	1,084	Support Services	867	113	980
240	23	263	Corporate Management	247	17	264
201	20	221	Partnership Fund	182	13	195
<b>3,341</b>	<b>113</b>	<b>3,454</b>	<b>Net Cost of Services</b>	<b>3,189</b>	<b>(139)</b>	<b>3,050</b>
(3,241)	234	(3,007)	Other Income & Expenditure	(3,228)	213	(3,015)
<b>100</b>	<b>347</b>	<b>447</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(39)</b>	<b>74</b>	<b>35</b>
<b>(2,984)</b>			<b>Opening General Fund Balance</b>	<b>(2,884)</b>		
100			Deficit on General Fund in Year	61		
<b>(2,884)</b>			<b>Closing General Fund Balance</b>	<b>(2,823)</b>		

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

Adjustments between the Funding and Accounting Basis 2020/21.

Adjustments from the General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note a) £000	Net change for Pensions Adjustment (note b) £000	Other Differences (note c) £000	Total Adjustments £000
Support to Land Managers	116	57	9	182
Support to the Community	1	22	4	27
Support to National Park Users	(521)	26	4	(491)
Support Services	52	53	8	113
Corporate Management		15	2	17
Partnership Fund		11	2	13
<b>Net Cost of Services</b>	<b>(352)</b>	<b>184</b>	<b>29</b>	<b>(139)</b>
Other Income & Expenditure	(20)	233	-	213
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(372)</b>	<b>417</b>	<b>29</b>	<b>74</b>

Adjustments between the Funding and Accounting Basis 2019/20

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	(254)	85	4	(165)
Support to the Community	2	27	1	30
Support to National Park Users	27	49	2	78
Support Services	40	83	4	127
Corporate Management	-	22	1	23
Partnership Fund	-	19	1	20
<b>Net Cost of Services</b>	<b>(185)</b>	<b>285</b>	<b>13</b>	<b>113</b>
Other Income & Expenditure	-	234	-	234
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(185)</b>	<b>519</b>	<b>13</b>	<b>347</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 2020/21.

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

2019/20 £000	Expenditure	2020/21 £000
2,619	Employee Benefits Expenses	2,885
2,027	Other Service Expenses	1,284
117	Depreciation, Amortisation & Impairment	124
225	Interest Payments	225
<b>4,988</b>	<b>Total Expenditure</b>	<b>4,518</b>
	<b>Income</b>	
(1,300)	Grants, Fees, Charges and other Service Income	(1,255)
(3,211)	Government Grants & Contributions	(3,211)
(30)	Interest & Investment Income	(17)
<b>(4,541)</b>	<b>Total Income</b>	<b>(4,483)</b>
<b>447</b>	<b>(Surplus)/ Deficit on the provision of service</b>	<b>35</b>

## Note 11: Segmental Income

### 2020/21

	<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	(413)	(10)	-	(5)	<b>(428)</b>
Support to the Community	(131)	(93)	-	-	<b>(224)</b>
Support to National Park Users	(164)	(87)	(51)	(30)	<b>(332)</b>
Support Services	(114)	(1)	-	(156)	<b>(271)</b>
Corporate Management	-	-	-	-	-
Partnership Fund	-	-	-	-	-
<b>Total Income</b>	<b>(822)</b>	<b>(191)</b>	<b>(51)</b>	<b>(191)</b>	<b>(1,255)</b>

### 2019/20

	<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	(454)	(28)	-	(5)	<b>(487)</b>
Support to the Community	(14)	(152)	-	-	<b>(166)</b>
Support to National Park Users	(25)	(193)	(93)	(30)	<b>(341)</b>
Support Services	(121)	(3)	-	(165)	<b>(289)</b>
Corporate Management	-	-	-	-	-
Partnership Fund	(17)	-	-	-	<b>(17)</b>
<b>Total Income</b>	<b>(631)</b>	<b>(376)</b>	<b>(93)</b>	<b>(200)</b>	<b>(1,300)</b>

## Note 12: Other operating expenditure

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
-	(Gains)/Losses on the disposal of non-current assets	(20)
9	IAS19 Administration expense	8
<b>9</b>	<b>Total</b>	<b>(12)</b>

## Note 13: Financing and Investment Income and Expenditure

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
225	Net interest on the net defined pensions liability	225
(30)	Interest receivable and similar income	(17)
<b>195</b>	<b>Total</b>	<b>208</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(3,211)	Non-ring fenced government grants	(3,211)
<b>(3,211)</b>	<b>Total</b>	<b>(3,211)</b>

## Note 15: Members Allowances

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
16	Special Responsibility Allowance	16
59	Basic Allowance	61
7	Allowance for mileage	1
<b>82</b>	<b>TOTAL</b>	<b>78</b>

## Note 16: Officers' Remuneration

The Authority is required to name all officers that earn over £150,000 per annum for all or part of a year (there are none); and to list all officers who earn between £50,000 and £150,000 for all or part of a year, and who also fit the following criteria:

- They report directly to the Chief Executive, or;
- They are part of the Authority's Senior Management Team, or;
- They hold posts required by statute (the Chief Finance Officer and the Monitoring Officer)

	Salary, Fees and Allowances £000	Expense Allowance £000	Total Remuneration (excl. pension contribution) £000	Pension Contribution £000	Total Remuneration including pension contribution £000
Chief Executive – 2020/21	88	-	88	16	104
Chief Executive – 2019/20	74	-	74	11	85

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:

2019/20 Number of employees	Remuneration band	2020/21 Number of employees
-	£50,000 - £54,999	1
-	£55,000 - £59,999	-
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
1	£70,000 - £74,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	1

## Note 17: 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	-	2	-	-	-	2	-	10
£20,001 - £40,000	-	-	-	1	-	1	-	24
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	1	-	1	-	70
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>2</b>	-	<b>2</b>	-	<b>4</b>	-	<b>104</b>



## Note 18: 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:

2019/20 £000		2020/21 £000
9	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	9
6	Audit Fee variation (*Proposed)	*7
<b>15</b>	<b>Total</b>	<b>16</b>

## Note 19: Grant Income

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

Credited to Taxation and Non Specific Grant Income	2019/20 £000	2020/21 £000
National Park Grant – DEFRA	3,211	3,211
<b>Total</b>	<b>3,211</b>	<b>3,211</b>
<b>Credited to Services</b>		
Tests and Trials – DEFRA	20	72
Astro Tourism – SWAT	-	20
Covid Support/ Rate reliefs – SWAT & NDDC	-	136
Walks Project – SWAT	-	11
Visit Exmoor Grant – Visit Britain	-	14
Brownfield Register – CLG	2	-
Custom Build Grant - CLG	15	-
Rural Crime Grant – Police Community Trust	3	-
Exmoor Tree Nursery – Devon Environmental Foundation	-	15
Woodlands – Plantlife	-	7
Woodside Bridge – Lyn Community Development Trust	-	22
Health & Wellbeing – Somerset County Council	-	18
Mend Our Mountains - BMC	35	-
Monument Management Scheme – Historic England	8	-
Cow Castle – Honeymead Arts Trust	-	2
Coast Path & Landscape Monitoring – Natural England	22	26
Woodland Visualisation Project – Natural England	-	5
Forestry Grant – Royal Forestry Grant	10	-
Grey Squirrel Control – Forestry Commission	-	3
Woodland Improvement Grant – RPA	17	-
White Rock Cottage Development – Leader (RPA)	88	-
Basic Payment & Higher Level Stewardship Scheme – RPA	100	106
Countryside Stewardship – RPA	48	48
Rhododendron Control - RPA	-	4
Long Holcombe – RPA	3	-
<b>Total</b>	<b>371</b>	<b>509</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.

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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	417	-	-	(417)
Holiday pay	29	-	-	(29)
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)	(197)	-	22	175
<b>Total Adjustments to Revenue Resources</b>	<b>249</b>	<b>-</b>	<b>22</b>	<b>(271)</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(175)	-	-	175
Transfer of sales proceeds credited as part of the gain/loss on disposal	(100)	100	-	-
<b>Total Adjustments between Revenue and Capital resources</b>	<b>(275)</b>	<b>100</b>	<b>-</b>	<b>175</b>
<b>Adjustments to Capital Resources:</b>				
Application of Capital Grants to finance Capital Expenditure	-	-	(22)	22
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(22)</b>	<b>22</b>
<b>Total Adjustments</b>	<b>(26)</b>	<b>100</b>	<b>-</b>	<b>(74)</b>

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<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	519	-	-	(519)
Holiday pay	13	-	-	(13)
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)	58	-	88	(146)
<b>Total Adjustments to Revenue Resources</b>	<b>590</b>	<b>-</b>	<b>88</b>	<b>(678)</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(243)	-	-	243
Transfer of sales proceeds credited as part of the gain/loss on disposal	-	-	-	-
<b>Total Adjustments between Revenue and Capital resources</b>	<b>(243)</b>	<b>-</b>	<b>-</b>	<b>243</b>
<b>Adjustments to Capital Resources:</b>				
Application of Capital Grants to finance Capital Expenditure	-	-	(88)	88
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(88)</b>	<b>88</b>
<b>Total Adjustments</b>	<b>347</b>	<b>-</b>	<b>-</b>	<b>(347)</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.
- Capital Grants – these include funds received from external organisations towards investment in assets.
- Capital receipts Reserve – holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure

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 2019 £000	Transfers between Reserves £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Increase/ Decrease (-) in useable Reserves 2019/20 £000	Balance at 31 March 2020 £000	Transfers between Reserves £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Increase/ Decrease in useable Reserves 2020/21 £000	Balance at 31 March 2021 £000
Earmarked Reserves	2,242	1	376	(535)	(158)	2,084	185	436	(483)	138	2,222
Partnership Fund Reserves	407	71	198	(201)	68	475	(56)	64	(182)	(174)	301
General Fund Balance	335	(72)	62		(10)	325	(129)	104		(25)	300
Capital Grants Unapplied	-	-	88	(88)	-	-	-	22	(22)	-	-
Capital Receipts Reserve	-	-	-	-	-	-	-	100	-	100	100
<b>Total Useable Reserves</b>	<b>2,984</b>	<b>-</b>	<b>724</b>	<b>(824)</b>	<b>(100)</b>	<b>2,884</b>	<b>-</b>	<b>726</b>	<b>(687)</b>	<b>39</b>	<b>2,923</b>

## Notes to Support the Balance Sheet

### Note 22: Property, Plant and Equipment

#### Movements on Balances

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation 1 April 2020</b>	<b>18,368</b>	<b>242</b>	<b>-</b>	<b>297</b>	<b>18,907</b>
Additions	61	66	<b>70</b>	-	<b>197</b>
De-recognition – Disposals	-	(84)	-	-	<b>(84)</b>
Reclassifications (to)/ from held for sale	-	-	-	-	-
Revaluation Increase/ decrease (-):					
- to Revaluation Reserve	71	-	-	-	<b>71</b>
- to Surplus/ Deficit on the provision of service	530	-	-	(233)	<b>297</b>
Other movement in cost of valuation	64	-	-	(64)	-
<b>Cost or Valuation 31 March 2021</b>	<b>19,094</b>	<b>224</b>	<b>70</b>	<b>0</b>	<b>19,388</b>
<b>Accumulated depreciation 1 April 2020</b>	<b>-</b>	<b>(141)</b>	<b>-</b>	<b>-</b>	<b>(141)</b>
Depreciation Charge	(74)	(47)	(3)	-	<b>(124)</b>
Derecognition - Disposals	-	84	-	-	<b>84</b>
Depreciation written out to the Revaluation Reserve	22	-	-	-	<b>22</b>
Depreciation written out to the Surplus/ Deficit on the provision of services	52	-	-	-	<b>52</b>
<b>Total Depreciation at 31 March 2021</b>	<b>-</b>	<b>(104)</b>	<b>(3)</b>	<b>-</b>	<b>(107)</b>
<b>Net Book Value at 1 April 2020</b>	<b>18,368</b>	<b>101</b>		<b>297</b>	<b>18,766</b>
<b>Net Book Value at 31 March 2021</b>	<b>19,094</b>	<b>120</b>	<b>67</b>	<b>-</b>	<b>19,281</b>

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation 1 April 2019</b>	<b>17,831</b>	<b>316</b>	-	-	<b>18,147</b>
Additions	55	-	-	277	332
De-recognition – Disposals	-	(74)	-	-	(74)
Reclassifications (to)/ from held for sale	-	-	-	-	-
Revaluation Increase/ decrease (-):					
- to Revaluation Reserve	595	-	-	-	595
- to Surplus/ Deficit on the provision of service	(93)	-	-	-	(93)
Other movement in cost of valuation	(20)	-	-	20	-
<b>Cost or Valuation 31 March 2020</b>	<b>18,368</b>	<b>242</b>	-	297	<b>18,907</b>
<b>Accumulated depreciation 1 April 2019</b>	-	(162)	-	-	(162)
Depreciation Charge	(63)	(53)	-	-	(116)
Derecognition - Disposals	-	74	-	-	74
Depreciation written out to the Revaluation Reserve	11	-	-	-	11
Depreciation written out to the Surplus/ Deficit on the provision of services	52	-	-	-	52
<b>Total Depreciation at 31 March 2020</b>	-	(141)	-	-	(141)
<b>Net Book Value at 1 April 2019</b>	<b>17,831</b>	<b>154</b>	-	-	<b>17,985</b>
<b>Net Book Value at 31 March 2020</b>	<b>18,368</b>	<b>101</b>	-	297	<b>18,766</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
- Infrastructure: 25 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 2020/21 the valuation was carried out by Mark Reynolds MRICS and Registered Valuer while employed by the NPS Group Limited 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 – Global Standards January 2020, 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 31 March 2021.

## Market Uncertainty

It was reported last year that the outbreak of the coronavirus (COVID-19) and its impact on the world's economy could be felt for many months and possibly years. VPGA 10 of the Red Book gives guidance about matters that may give rise to material valuation uncertainty. Para 2.4 states that *'markets can be disrupted by relatively unique factors. Such disruption can arise due to unforeseen financial, macro-economic, legal, political or even natural events. If the valuation date coincides with, or is in the immediate aftermath of, such an event there may be a reduced level of certainty that can be attached to a valuation, due to inconsistent, or an absence of, empirical data, or to the valuer being faced with an unprecedented set of circumstances on which to base a judgment'*.

It is considered that there is material uncertainty as at 31 March 2021 in respect of the commercial type assets, and, in line with the RICS document 'Impact of COVID-19 on valuation – Supplement to RICS Practice Alert' dated 06 November 2020, the following statement applies to the valuations: 'The outbreak of COVID-29, declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational requirements have been implemented by many countries. In some cases, 'lockdowns' have been applied to varying degrees and to reflect further 'waves' of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally'.

In respect of the Exmoor commercial property sector, as at 31 March 2021: 'we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuations of the Authority's assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case'.

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

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	1,744	120	67	-	1,931
Valued at Current Value as at 31/03/2020	17,350	-	-	-	17,350
<b>Net Book Value at 31 March 2021</b>	<b>19,094</b>	<b>120</b>	<b>67</b>	<b>-</b>	<b>19,281</b>

### Note 23: Heritage Assets

	Heritage Assets £000
<b>Cost or Valuation 1 April 2020</b>	<b>81</b>
Additions	-
Revaluation Increase/ decrease (-):	
- to Revaluation Reserve	3
- to Surplus/ Deficit on the provision of service	8
<b>Cost or Valuation 31 March 2021</b>	<b>92</b>
<b>Cost or Valuation 1 April 2019</b>	<b>81</b>
Additions	-
Revaluation Increase/ decrease (-):	
- to Revaluation Reserve	-
- to Surplus/ Deficit on the provision of service	-
<b>Cost or Valuation 31 March 2020</b>	<b>81</b>

### Note 24: Assets Held for Sale

31 March 2020 £000		31 March 2021 £000
<b>80</b>	<b>Balance outstanding at the start of the year</b>	<b>80</b>
-	Assets newly classified as held for sale	-
-	Assets sold	80
<b>80</b>	<b>Balance outstanding at the end of the year</b>	<b>-</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 2020 £000		31 March 2021 £000
2,800	Comingled Fund	2,900
-	Cash in hand and at bank	-
239	Contractual Debtors	183
<b>3,039</b>	<b>Total</b>	<b>3,083</b>



## Financial Liabilities: Amortised Cost

31 March 2020 £000		31 March 2021 £000
(37)	Bank Overdraft	(45)
(204)	Contractual Creditors	(242)
<b>(241)</b>	<b>Total</b>	<b>(287)</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 2020 £000		31 March 2021 £000
(30)	Interest Income	(17)
<b>(30)</b>	<b>Total</b>	<b>(17)</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

## 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 26: Debtors

31 March 2020 £000		31 March 2021 £000
104	Central government bodies	84
5	Other local authorities	52
19	Public corporations and trading funds	47
128	Other entities and individuals	31
<b>256</b>	<b>Total</b>	<b>214</b>

### Note 27: Cash and Cash Equivalents

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

31 March 2020 £000		31 March 2021 £000
(37)	Bank Current Accounts	(45)
2,800	Co-mingled fund held by Somerset County Council	2,900
<b>2,763</b>	<b>Total Cash and Cash Equivalents</b>	<b>2,855</b>

### Note 28: Creditors

31 March 2020 £000		31 March 2021 £000
(51)	Other local authorities	(116)
(42)	Public corporations and trading funds	(46)
(153)	Other entities and individuals	(126)
<b>(246)</b>	<b>Total</b>	<b>(288)</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: Capital Grants

31 March 2020 £000		31 March 2021 £000
-	<b>Balance at 1 April</b>	-
(88)	Capital grants received	(22)
88	Capital grants used to finance spend	22
-	<b>Balance at 31 March</b>	-

### Note 31: Unusable Reserves

31 March 2020 £000		31 March 2021 £000
(10,813)	Revaluation Reserve	(10,861)
(8,113)	Capital Adjustment Account	(8,511)
9,838	Pensions Reserve	14,073
53	Accumulated Absences Account	82
<b>(9,035)</b>	<b>Total Unusable Reserves</b>	<b>(5,217)</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.

2019/20 £000		2020/21 £000
<b>(10,217)</b>	<b>Balance at 1 April</b>	<b>(10,813)</b>
(759)	Upward revaluation of assets	(311)
163	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of Services	238
<b>(596)</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>(73)</b>
-	Difference between fair value depreciation and historical cost depreciation	-
-	Accumulated gains on assets sold or scrapped	25
-	<b>Amount written off to the Capital Adjustment Account</b>	<b>25</b>
<b>(10,813)</b>	<b>Balance at 31 March</b>	<b>(10,861)</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.

<b>2019/20 £000</b>		<b>2020/21 £000</b>
<b>(7,928)</b>	<b>Balance at 1 April</b>	<b>(8,113)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
53	Charges for depreciation and impairment of non-current assets	50
93	Revaluation losses on Property, Plant and Equipment	(306)
-	Revenue expenditure funded from capital under statute	-
-	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	55
<b>(7,782)</b>		<b>(8,314)</b>
-	Adjusting amounts written out of the Revaluation Reserve	-
<b>(7,782)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(8,314)</b>
<b>Capital financing applied in the year:</b>		
(88)	Use of Capital Grants to finance capital expenditure	(22)
(243)	Capital Expenditure charged against the General Fund	(175)
<b>(8,113)</b>	<b>Balance at 31 March</b>	<b>(8,511)</b>

## 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.

2019/20 £000		2020/21 £000
<b>9,561</b>	<b>Balance at 1 April</b>	<b>9,838</b>
(242)	Remeasurement of net defined liability	3,818
962	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI & E	943
(443)	Employer's pensions contributions and direct payments to pensioners payable in the year	(526)
<b>9,838</b>	<b>Balance at 31 March</b>	<b>14,073</b>

#### 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.

2019/20 £000		2020/21 £000
<b>40</b>	<b>Balance at 1 April</b>	<b>53</b>
(40)	Settlement or cancellation of accrual made at the end of the preceding year	(53)
53	Amounts accrued at the end of the current year	82
-	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.	-
<b>53</b>	<b>Balance at 31 March</b>	<b>82</b>

#### Note 32: 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.

	2019/20 £000	2020/21 £000
<i>Capital Investment</i>		
Property, Plant & Equipment	331	197
Revenue Expenditure Funded from Capital under Statute	-	-
<i>Sources of finance</i>		
Capital Receipts	-	-
Government Grants and other contributions	88	22
Sums set aside from revenue	243	175

### **Note 33: Impairment Losses**

The Authority did not recognise any impairment losses during 2020/21 (2019/20 £0k). Impairment losses are recognised as part of the valuation of the authority's non-current assets.

### **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 the Local Government Pension Scheme that is 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.

The Pension Fund Committee, at Somerset County Council, oversees the management of the Fund whilst the day-to-day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers. As administering authority to the Fund, Somerset County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The latest actuarial valuation of the Fund was carried out as at 31 March 2019 and contributions have been set for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks

In addition, as many unrelated employers participate in the Somerset County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers. All of the risks above may also benefit the employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers. The Authority's Pension Fund liability does not represent an immediate call on reserves; it is a snap-shot valuation in time, based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term.

In 2019/20 we made allowance for the potential impact of the *McCloud & Sargeant* judgement, which has been rolled forward and remeasured to obtain the accounting results as at 31 March 2021. In 2019 a judgement was made in the Court of Appeal about cases involving judges' and firefighters' pensions (*McCloud & Sargeant*). The cases concerned age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. This ruling will also extend to the LGPS; as when the LGPS was restructured in 2014, it allowed protections for those members who were active in the Scheme in 2012 and over the age of 55.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the *McCloud & Sargeant* cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. We do not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, we have not included any further adjustment in light of the ongoing consultation in this report.

There are also uncertainties in relation to LGPS benefits due to the previously paused 2016 cost cap process, which has recently been un-paused by Government, but this process also needs to consider and include the remedy for the *McCloud & Sargeant* judgement; it remains uncertain what changes may be made to LGPS benefits as a result.

### **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:

	2019/20 £000	2020/21 £000
<i>Service Cost</i>		
<ul style="list-style-type: none"> <li>• Current Service Cost</li> <li>• Past Service Costs (including curtailments)</li> </ul>	728	691
<b>Total Service Cost</b>	<b>728</b>	<b>691</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>	225 9	225 8
<b>Total Net Interest</b>	<b>234</b>	<b>233</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>962</b>	<b>924</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>	1,051 1,274 10 (2,734) 157	(2,965) (268) (233) 7,284 -
<b>Total re-measurements recognised in Other Comprehensive Income</b>	<b>(242)</b>	<b>3,818</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>720</b>	<b>4,742</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>(962)</b>	<b>(943)</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>443</b>	<b>526</b>

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

	2019/20 £000	2020/21 £000
Present value of funded obligation	(21,387)	(29,145)
Fair value of employer assets	11,841	15,374
Present value of unfunded obligation	(292)	(302)
<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>(9,838)</b>	<b>(14,073)</b>



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

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Opening Balance at 1 April</b>	<b>(22,074)</b>	<b>(21,679)</b>
Current service cost	(728)	(691)
Interest cost	(528)	(507)
Change in financial assumptions	2,734	(7,284)
Change in demographic assumptions	(10)	233
Experience loss / (gain) on defined benefit obligation	(1,274)	268
Estimated benefits paid net of transfers in	302	339
Past service costs, including curtailments	-	(19)
Contributions by scheme participants	(125)	(131)
Unfunded pension payments	24	24
<b>Closing Balance at 31 March</b>	<b>(21,679)</b>	<b>(29,447)</b>

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

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Opening Balance at 1 April</b>	<b>12,513</b>	<b>11,841</b>
Interest on assets	303	282
Return on assets less interest	(1,051)	2,965
Other actuarial gains/(losses)	(157)	-
Administration expenses	(9)	(8)
Contributions by employer including unfunded	443	526
Contributions by scheme participants	125	131
Estimated benefits paid plus unfunded net of transfers in	(326)	(363)
<b>Closing Balance at 31 March</b>	<b>11,841</b>	<b>15,374</b>

The liabilities show the underlying commitments that the authority has to pay post-employment (retirement) benefits. The total liability of £14,073k (2019/20 £9,838k) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in the overall balance of £8,140k (2019/20 £11,919k). 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:**

	<b>2019/20</b>		<b>2020/21</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	7,986	67%	11,117	72%
Gilts	776	7%	857	6%
Other Bonds	1,187	10%	1,447	9%
Property	1,123	10%	1,031	7%
Cash and cash equivalents	769	6%	922	6%
<b>Total</b>	<b>11,841</b>	<b>100%</b>	<b>15,374</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 2022 is £502k.

## 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 2019. Their estimate of the past service liability is 21 years. This is based on membership data provided as part of the recent valuation.

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

<i>Mortality assumptions</i>	2019/20	2020/21
Retiring today:		
• Men	23.3	23.1
• Women	24.7	24.6
Retiring in 20 years:		
• Men	24.7	24.4
• Women	26.2	26.0
Rate of Inflation (RPI/CPI)	2.65%/1.85%	3.20%/2.85%
Rate of increase in salaries	2.85%	3.85%
Rate of increase in pensions	1.85%	2.85%
Rate for discounting scheme liabilities	2.35%	2.00%
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 2019/20.

<b>Sensitivity Analysis</b>	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	28,820	29,447	30,088
Projected service cost	1,025	1,059	1,095
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	29,511	29,447	29,384
Projected service cost	1,060	1,059	1,059
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	30,019	29,447	28,888
Projected service cost	1,094	1,059	1,025
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	30,734	29,447	28,216
Projected service cost	1,105	1,059	1,016

### 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 £390,000.

The Authority is owed over £100k 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

2019/20 £000		2020/21 £000
(53)	Depreciation and Amortisation	(50)
(93)	Impairment and Downward Valuations	306
(519)	Actuarial Charges for Retirement Benefits	(417)
14	Increase/(Decrease) in Inventory	(7)
(94)	Increase/(Decrease) in Debtors	(42)
4	(Increase)/Decrease in Creditors & Receipts in Advance	(34)
-	Carrying amount of Non-Current Assets de-recognised	20
<b>(741)</b>		<b>(224)</b>

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

2019/20 £000		2020/21 £000
331	Purchase of property, plant and equipment, investment property and intangible assets	197
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(100)
<b>331</b>	<b>Net cash flows from investing activities</b>	<b>97</b>

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

2019/20 £000		2020/21 £000
-	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>	<b>-</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 arrangements for 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 2015 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 2021 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;
  - 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 (2016) ;
- 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 Public Sector Audit Appointments;
- 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. As a consequence of certain Internal Audit findings, the Authority has undertaken a review of Safeguarding policies and practices. These changes were agreed with Internal Audit in May 2021.

5.2 During 2021/22 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 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 Government on the Landscape Review;
- Continuing to operate within limited resources while increasing revenue from alternative sources;
- Continuing to develop customer service standards and culture; and
- Monitoring the performance of the Corporate Plan.
- Abide by the working arrangements determined by law and recommended guidance in the context of the current pandemic.
- Implement the updated Safeguarding policies and procedures.
- Potentially establish a method of allocating new funding streams.
- Manage the ongoing impact of cv19.
- Implement the transition back to in person but distanced meetings, and staff gradually returning to Exmoor House.
- Continue to engage and communicate flexibly while making best use of technology.

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                      Chairman

**Date** .....

# The Audit Findings (ISA260) Report for Exmoor National Park Authority

Year ended 31 March 2021

26 November 2021





# Contents



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This Audit Findings 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. Its contents have been discussed with management.

*Gareth D Mills*

Name : Gareth Mills, Key Audit Partner and Engagement Lead

For Grant Thornton UK LLP

Date : 26 November 2021

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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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# 1. 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 2021 for those charged with governance.

## Financial Statements

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 give a true and fair view of the financial position of the Authority and its income and expenditure for the year
- 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.

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.

Our audit work was completed on site from October to November. Our findings are summarised in Section Two of this report. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement or level of useable reserves.

A small number of presentational and disclosure amendments are detailed at Appendix C. We have also raised recommendations for management as a result of our audit work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.

At present, there are no matters of which we are aware that would require modification of our audit opinion (included at Appendix E) or material changes to the financial statements.

Our work is substantially complete although we are finalising our procedures in the following areas:

- completion of our internal quality review process, including final reviews of the file by both the Manager and Engagement Lead
- receipt of signed management representation letter
- review of the final signed set of financial statements, Narrative Report and Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion.

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.

Our anticipated audit report opinion will be unmodified. However, we are expecting to include an Emphasis of Matter paragraph highlighting the material uncertainty of the valuation of land and buildings as a result of Covid-19, as highlighted by the Authority's valuer and disclosed within the Authority's financial statements.

Subject to satisfactory completion of the outstanding audit procedures, we plan to issue our audit opinion following the Authority Meeting on 7 December 2021.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix F to this report.

We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

We have completed sufficient work to satisfy ourselves that our VFM work remaining would not have a material impact on the financial statements which we have audited. We have not identified any significant weaknesses in respect of the Authority's VFM arrangements from our work to date.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Auditor's Report in February 2022.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

## Acknowledgements

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

## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings (ISA260) 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
- 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 our Audit Plan as communicated to you on 4 May 2021.

### 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 Authority meeting on 7 December 2021, as detailed at Appendix E.

### Acknowledgements

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

## 2. Financial Statements



### 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 levels remain the same as reported in our Audit Plan in May 2021. We detail in the table below our determination of materiality for the Authority.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	100k	Financial statement materiality was determined based on a proportion of the gross expenditure of the Authority for the financial year.
Trivial matters	5k	Set at 5% of materiality
Materiality for senior officer remuneration	10k	Due to perceived public interest in these disclosures.



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>ISA240 revenue risk</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <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</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> <p>Therefore we do not consider this to be a significant risk for Exmoor National Park Authority.</p>
<p><b>Valuation of land and buildings</b></p> <p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£18.8 million in the 2019-20 balance sheet) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2021. The Authority have engaged an external valuer in 2020-21, having used an internal valuer in previous years.</p> <p>We therefore identified valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>• written to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register</li> <li>• evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> <p>We note that the valuers have included a material uncertainty paragraph in their valuation report as a result of Covid-19 and the unprecedented set of circumstances on which to base their valuations. The Authority has disclosed this material uncertainty in the draft financial statements.</p> <p>We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the external valuer's report, which has been disclosed in note 22 of the accounts.</p> <p>Our audit work to date has not identified any further issues in respect of valuation of land and buildings.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has identified that one of the Authority's finance team who regularly posts journals is a "Super User" on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement. Therefore we have raised a recommendation at Appendix A for the Authority to review this level of access.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (c£9.8 million in the 2019-20 balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the **Authority's pension fund net liability** as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:


- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the actuary regarding the material experience items. These are material pension related figures that relate to the impact of correcting the estimates made in the years between the triennial revaluations of the pension fund
- obtained assurances from the auditor of Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.







## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £19.1m	<p>Other land and buildings comprises £17.4m of assets that are not specialised in nature and are required to be valued at existing use in value (EUV). The remainder of land and buildings (£1.7m) are specialised assets where no market exists which are required to be valued at depreciated replacement cost (DRC).</p> <p>The Authority has engaged NPS (SW) Ltd to complete the valuation of properties as at 31 March on an annual basis. All assets were revalued as at 31 March 2021.</p> <p>The Authority's valuer disclosed a material uncertainty in the valuation of the Authority's land and buildings at 31 March 2021 as a result of Covid-19. The Authority has included disclosures on this issue in Note 22.</p> <p>The valuation of assets together with other in-year movements has resulted in an overall net increase of £726k.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence and expertise of <b>management's expert</b></li> <li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Reviewed the assumptions used by the expert, including the floor areas</li> <li>Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets</li> <li>Considered the adequacy of disclosure of the estimate and Covid related material uncertainty in the financial statements.</li> </ul> <p>There are no significant issues arising from our work.</p>	<p> <b>Green</b></p>

### Assessment

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

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate

**Summary of management's approach**

Audit Comments

Assessment

**Net pension liability – £14.1m**

The Authority's net pension liability at 31 March 2021 is £14.1m (PY £9.8m) comprising the Somerset Local Government defined benefit pension scheme obligations. The Authority uses Barnet 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 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been a £7.1m net actuarial loss during 2020-21.

We have:

- Assessed management's expert
- Assessed the actuary's approach taken and deemed it reasonable
- Used PwC as auditor's expert to assess actuary and assumptions made by actuary







●  
Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.0%	1.95 – 2.05%	● Green
Pension increase rate	2.85%	2.80 – 2.85%	● Green
Salary growth	3.85%	Value is in line with PwC report	● Green
Life expectancy – Males currently aged 45 / 65	24.4 / 23.1	Values are in line with PwC report	● Green
Life expectancy – Females currently aged 45 / 65	26.0 / 24.6	Values are in line with PwC report	● Green

- Confirmed the completeness and accuracy of the underlying information used to determine the estimate
- Confirmed the reasonableness of the Authority's share of LPS pension assets.
- Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

## 2. Internal control issues identified

Rec	Assessment	Issue and risk	Recommendations
1	 <b>High</b>	One of the Authority's finance team who regularly posts journals is a "Super User" on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement.	The Authority must review which staff have "Super User" access on SAP. In order to prevent the risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, this should not include any individuals involved in the regular posting of journals.
2	 <b>Medium</b>	Our walkthrough of the process and controls for the net pension fund liability identified that the cashflow data used by the actuary for their work is sent by the Pension Fund to the actuary directly with no management checks by the Authority. There is a risk of data that does not agree with the Authority's records being submitted to the Actuary and their work being based on inaccurate information as a result.	In the future, the Authority's management controls over the pension fund should include agreement of the contribution data sent to the actuary.
3	 <b>Medium</b>	The Authority does not have a Service Level Agreement (SLA) in place with Somerset County Council for the provision of Payroll/IT services. The previous SLA was with SouthWest One, an organisation which no longer exists. This potentially exposes the Authority to the potential risk of being unable to resolve any issues or disputes over service delivery occur.	The Authority should agree a new SLA with Somerset CC that reflects the arrangements currently in place.
4	 <b>Medium</b>	Our review of cybersecurity arrangements identified that the Authority is relying on Somerset County Council's arrangements in many instances. For example, the Authority does not have a cybersecurity framework in place or management oversight of this area. As there is no current Service Level Agreement in place with Somerset County Council to cover these areas, the Authority should have its own arrangements in place.	The Authority should develop its own cybersecurity arrangements and ensure that there is appropriate management oversight of this area.
5	 <b>Medium</b>	Our testing of a sample of 15 items of expenditure in 2021-22 for completeness identified an invoice of £3,400 that related to 2020-21 that had not been accrued for. We tested a further sample of 15 items with no significant issues identified.	This represents a control failure as this amount should have accrued for. It also means that expenditure in 2020-21 is understated by £3,400 – which we accept is not material. The Authority should review its procedures to ensure that all items that should be accrued for are identified and accounted for in the correct financial year.
6	 <b>Low</b>	Our testing of the useful lives of assets identified two assets (both related to solar panels) that had been removed from the Fixed Asset Register but were still owned by the Authority.	We recommend that assets should remain on the Fixed Asset Register until disposed of by the Authority. The Authority should also review asset values and lives when assets that are still in use have been reduced to a £nil net book value.

## 2. Financial Statements - 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
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Authority. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A letter of representation has been requested from the Authority, which is included in the Authority papers. As in the prior year, we have requested a specific representation in respect of the Authority's accounting treatment of c£18k of monies held in the Authority's bank account which is not included in the Authority's accounts.

## 2. Financial Statements - other communication requirements



Issue	Commentary
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Authority's banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.  The accounting policy for Heritage Assets needed to be updated as it referred to these assets being valued at historic cost when they were revalued by the external valuer in 2020-21.  Other presentational disclosure issues are included at Appendix C.
<b>Audit evidence and explanations / significant difficulties</b>	All information and explanations requested from management was provided promptly. The Authority's finance team were extremely responsive to audit queries throughout the audit, and we would like to thank the Head of Finance and Operations and his team for their help and support during the audit process.

## 2. Financial Statements - other communication requirements



### 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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the 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>We identified a small number of minor suggested amendments to the AGS and these have been adequately updated by management.</p> <p>We did identify some areas where the Narrative Report could be enhanced in 2019-20 and the follow up of the recommendation made in last year's report is at Appendix B.</p> <p>No significant inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul> <p>We have nothing to report on these matters.</p>



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>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> <p>Note that work is not yet completed as we are awaiting guidance from the NAO. The Authority are below the WGA audit threshold so we are only required to perform minimal procedures.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification of the closure of the 2020-21 audit of the Authority in the audit report, as detailed at Appendix E, due to the ongoing VFM work and WGA procedures as outlined above. Once this work is completed, we will be able to certify the closure of the 2020-21 audit of the Authority.</p> <p>This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of audit instructions for the WGA work.</p>



# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020-21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Authority's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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## 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix G to this report (and was sent to the Chair in September). We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work to date has not identified any risks of significant weakness in the Authority's arrangements, and we have not identified any issues that would have an impact on our opinion on the financial statements.

Our work covers three key areas and considers the arrangements in place at the Authority in the 2020-21 financial year in respect of:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

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## 4. 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix D.

### 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 other audit or non-audit services are provided to the Authority.

### Transparency




Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)




Appendices

# A. Action Plan – Audit of Financial Statements

We have identified the following recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021-22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>1</p> <p> High</p>	<p>One of the Authority’s finance team who regularly posts journals is a “Super User” on the SAP system. Individuals with this level of system access should not ordinarily be posting journals. This is because of the potential risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, which could lead to fraud and/or financial misstatement.</p>	<p>The Authority must review which staff have “Super User” access on SAP. In order to prevent the risk of elevated privileges being used to make unauthorised changes to the application, business processes or user accounts by over-riding internal system controls, this should not include any individuals involved in the regular posting of journals.</p> <p><b>Management response</b></p> <p>We will remove the ‘super user’ powers from the relevant member of staff.</p>
<p>2</p> <p> Medium</p>	<p>Our walkthrough of the process and controls for the net pension fund liability identified that the cashflow data used by the actuary for their work is sent by the Pension Fund to the actuary directly with no management checks by the Authority. There is a risk of data that does not agree with the Authority’s records being submitted to the Actuary and their work being based on inaccurate information as a result.</p>	<p>In the future, the Authority’s management controls over the pension fund should include agreement of the contribution data sent to the actuary.</p> <p><b>Management response</b></p> <p>We are happy to check this data in future.</p>
<p>3</p> <p> Medium</p>	<p>The Authority does not have a Service Level Agreement (SLA) in place with Somerset County Council for the provision of Payroll/IT services. The previous SLA was with SouthWest One, an organisation which no longer exists. This potentially exposes the Authority to the potential risk of being unable to resolve any issues or disputes over service delivery occur.</p>	<p>The Authority should agree a new SLA with Somerset CC that reflects the arrangements currently in place.</p> <p><b>Management response</b></p> <p>We will again approach SCC with a view to establishing an SLA. There are doubts over the necessity or additional benefit such a document would bring.</p>

# A. Action Plan – Audit of Financial Statements (continued)

	Assessment	Issue and risk	Recommendations
4	 Medium	<p>Our review of cybersecurity arrangements identified that the Authority is relying on Somerset County Council's arrangements in many instances. For example, the Authority does not have a cybersecurity framework in place or management oversight of this area. As there is no current Service Level Agreement in place with Somerset County Council to cover these areas, the Authority should have its own arrangements in place.</p>	<p>The Authority should develop its own cybersecurity arrangements and ensure that there is appropriate management oversight of this area.</p> <p><b>Management response</b></p> <p>SCC is only responsible for the Payroll and Finance system as regards cyber security. It is not accurate to say that the Authority does not have its own cybersecurity arrangements in place. We have a raft of practices, policies and procedures. We will however seek to put in place a cybersecurity framework with appropriate SLT support and oversight.</p>
5	 Medium	<p>Our testing of a sample of 15 items of expenditure in 2021-22 for completeness identified an invoice of £3,400 that related to 2020-21 that had not been accrued for. We tested a further sample of 15 items with no significant issues identified.</p>	<p>This represents a control failure as this amount should have accrued for. It also means that expenditure in 2020-21 is understated by £3,400 – which we accept is not material. The Authority should review its procedures to ensure that all items that should be accrued for are identified and accounted for in the correct financial year.</p> <p><b>Management response</b></p> <p>We accept that there was an 'old year' invoice which was paid in the new financial year. We have a cut off date to facilitate the early closure of accounts and sometimes this means that invoices are in the wrong year.</p>
6	 Low	<p>Our testing of the useful lives of assets identified two assets (both related to solar panels) that had been removed from the Fixed Asset Register but were still owned by the Authority.</p>	<p>We recommend that assets should remain on the Fixed Asset Register until disposed of by the Authority. The Authority should also review asset values and lives when assets that are still in use have been reduced to a £nil net book value.</p> <p><b>Management response</b></p> <p>We will review our asset lives of vehicles, plant and equipment.</p>

## B. Follow up of prior year recommendations

We identified the following issues in the audit of Exmoor National Park Authority's 2019-20 financial statements, which resulted in three recommendations being reported in our 2019-20 Audit Findings (ISA260) Report.

We have followed up on the implementation of our recommendations and note our findings in the table on the right.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	There were some issues regarding the timeliness of receipt of supporting documentation not being available to conclude our sample testing (until intervention from the Chief Finance Officer).	The audit was carried out on site in 2020-21 and we have not had any issues with delays in the provision of supporting documentation.
X	The disclosures in the Narrative Report could be enhanced by further details on the Medium Term Financial Plan and plans to address any future resource shortfalls.	<p>The Narrative Report in 2020-21 does not contain any reference to the Medium Term Financial Plan. Management consider that the Revenue Budget report is where Authority members will look if they wish to see information on this area.</p> <p>Our view is that the Narrative Report would be enhanced by further details on the Medium Term Financial Plan and we will continue to have discussions with the Authority in our planning for 2021-22. The Statement of Accounts is a public document that is published on the Authority's website, and its readers are a wider stakeholder group than just Authority members.</p>
✓	<p>The National Park Grant (NPG) for 2021-22 onwards has not been confirmed and the Authority's Medium Term Financial Plan currently assumes increases in NPG higher than was received in 2020-21. The Authority should start modelling for worst case scenarios in future DEFRA funding.</p> <p>The Authority should begin modelling for options for how it would deal with the potential budget gaps that may arise depending on the level of National Park Grant awarded in future.</p>	This recommendation has been actioned by the Authority with modelling of different options reported in the Medium Term Financial Plan report to the Authority in March 2021. We will consider the Medium Term Financial Plan in more detail as part of our VFM work.

### Assessment

- ✓ Action completed
- X Not yet addressed

# C. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on useable reserves £'000
None	-	-	-
<b>Overall impact</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	Adjusted?
Heritage assets	The accounting policy for Heritage assets in note 1 to the accounts states that they are valued at historic cost but the two heritage assets have been revalued in the year by the external valuer. The accounting policy should be updated to reflect the correct valuation basis.	✓
Cash and cash equivalents	The cash and cash equivalents figure on the balance sheet is net position of the bank overdraft on the Authority's main bank account and the Co-mingled Fund held by Somerset CC. These two cash balances of (£45k) and £2,900k respectively, should be shown gross on face of the balance sheet where there is no right of offset.	✓
General	A small number of other amendments have been made to the draft accounts to correct minor disclosure and presentational issues that do not warrant being individually reported to Those Charged with Governance.	✓



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# C. Audit Adjustments



## Impact of unadjusted misstatements

At the date of this report there are no unadjusted misstatements.

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2019-20 financial statements.

# D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee (as per Audit Plan)	Final fee
Authority scale fee set by PSAA	£9,004	£9,004
Audit fee variations	£7,000*	£7,000*
<b>Total audit fees (excluding VAT)</b>	<b>£16,004</b>	<b>£16,004</b>

Reconciliation of the fees to note 18 of the financial statements:

£9k – Note 18 of the financial statements

£7k – Audit fee variations

£16k - Total fees as per table

- Any changes to the 2020-21 scale fee will need to be approved by PSAA. MHCLG has set aside £15m of funding to deal with the expected increase in 2020-21 audit fees, a direct response to one of the key findings of the Redmond Review into local authority external audit which reported in September 2020. We understand that national parks will have access to this funding to mitigate the direct financial impact on the Authority of this increase in audit fees.

No non-audit services have been undertaken for the Authority.

# E. Audit opinion (Draft)

Our draft audit opinion is included below.

We anticipate we will provide the Authority with an unmodified ‘clean’ audit report with the inclusion of an “emphasis of matter” regarding the material uncertainty in the valuation of land and buildings as a result of Covid-19

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

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Exmoor National Park Authority (the ‘Authority’) for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) [ISAs (UK)] and applicable law, as required by the Code of Audit Practice [2020] (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority’s disclosures over the going concern period.

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

In auditing the financial statements, we have concluded that the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the ‘Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements’ section of this report.

# E. Audit opinion (Draft)

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

We draw attention to Notes 4 and 22 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2021. As disclosed in notes 4 and 22 to the financial statements, the potential impact of the Coronavirus pandemic on property values has led to a material valuation uncertainty on property valuation being disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

## Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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

# E. Audit opinion (Draft)

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

As explained 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. 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 2020/21, 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 Authority 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.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 Local Government Act 2003 and the Local Government Act 1972.
- We enquired of senior officers and the Authority, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit, and the Authority, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

# E. Audit opinion (Draft)

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent revenue recognition. We determined that the principal risks were in relation to:
    - journals and transactions outside the course of business.
    - management estimates in particular those relating to land and buildings valuations and the valuation of the net pension fund liability
  - Our audit procedures involved:
    - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on unusual and high risk journals made during the year and accounts production stage; and
    - considering the reasonableness of estimates and judgements made by management.
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
  - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
  - The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings valuations and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the local government sector
    - understanding of the legal and regulatory requirements specific to the Authority including:
      - the provisions of the applicable legislation
      - guidance issued by CIPFA, LASAAC and SOLACE
      - the applicable statutory provisions.
  - In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

# E. Audit opinion (Draft)

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

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

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

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

### Responsibilities of the Authority

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

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

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

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

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

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

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

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

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

### Use of our report

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

### Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor  
Leeds

# F. Audit letter in respect of delayed VFM work

Chair of Authority  
Exmoor National Park Authority  
Exmoor House  
Dulverton  
Somerset  
TA22 9HL

21 September 2021

Dear Mr Milton

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We will be working on our VFM arrangements review of the Authority over the coming months and expect to present our report to the Authority at the Authority Meeting in February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Turning to our audit of the Authority's 2020-21 accounts, our audit work is due to commence in October. Should the audit progress as planned, we are targeting to present our Audit Findings ISA260 Report to the Authority Meeting on 7 December, with a view to signing our opinion before the Christmas period.

Yours sincerely

**Gareth**

Gareth Mills  
Key Audit Partner & Engagement Lead for Exmoor National Park Authority





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A member of National Parks England and National Parks UK

Grant Thornton UK LLP  
 No 1 Whitehall Riverside  
 Whitehall Road  
 Leeds  
 LS1 4BN

**11 January 2022**

Dear Sirs

**Exmoor National Park Authority  
 Financial Statements for the year ended 31 March 2021**

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 2021 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 2020/21 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 2020/21 ("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. We understand our responsibilities includes identifying and considering alternative, methods,

assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. 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.
- vii. 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
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. 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.
- ix. 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.
- x. We have considered the misclassification and disclosures changes schedule included in your Audit Findings Report. The Authority's financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the Authority means that, notwithstanding any intention to liquidate the Authority or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

- xiv. We confirm that we are holding a cash balance of £18,069 as at 31 March 2021 in respect of a deposit linked to those who rent the Pavilion cafe in Lynmouth. We are not able to spend this cash, nor do we control it. We are acting as the banker for this money, and it is excluded from the Authority's financial statements.

### Information Provided

- xv. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. 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.
- xix. 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:
- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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

- xxiv. 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

- xxv. 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's financial statements.

**Approval**

The approval of this letter of representation was minuted by the Authority at its meeting on 11 January 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Authority**

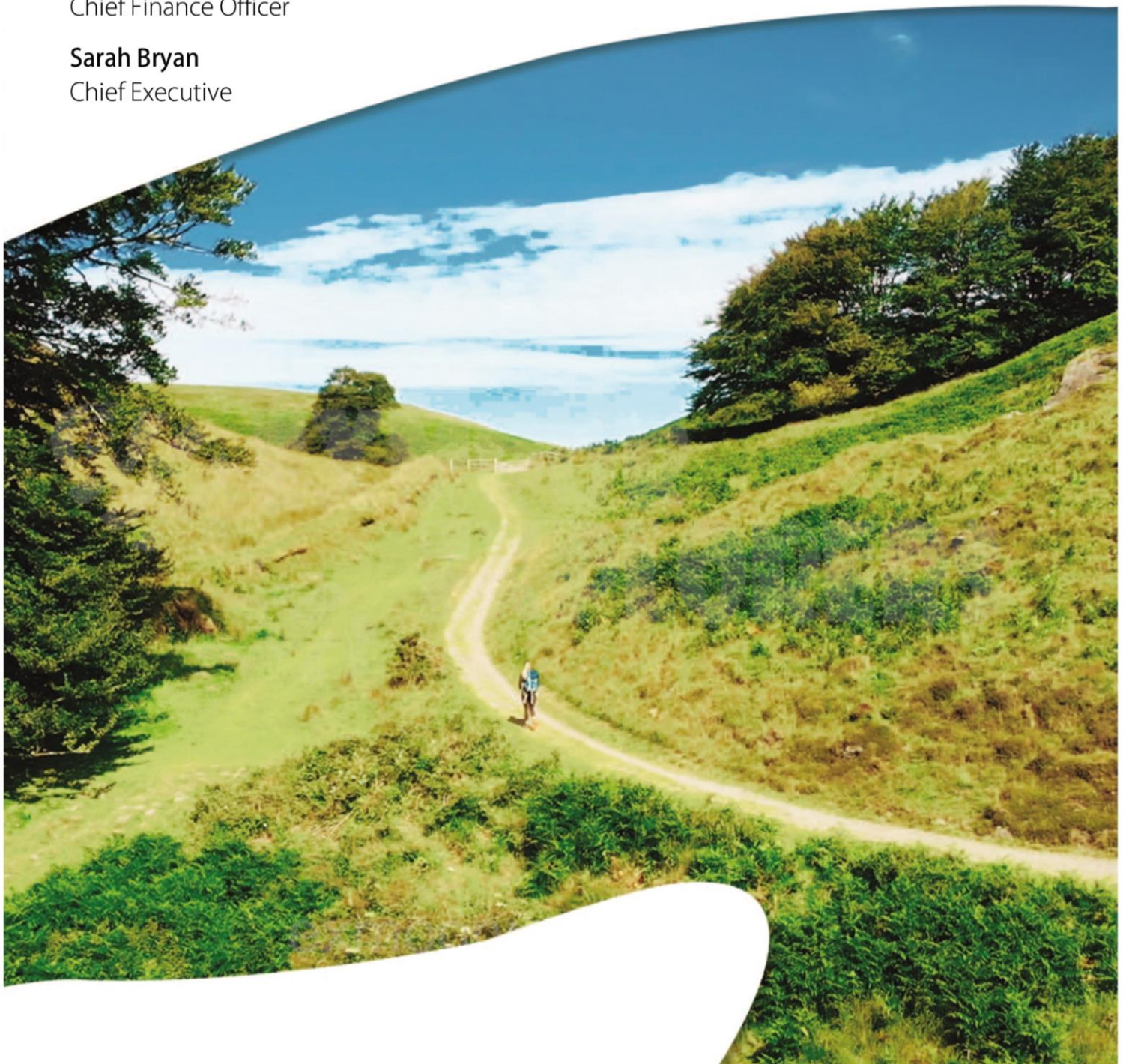


# Exmoor National Park

## Statement Of Accounts 2020/21

**Gordon Bryant**  
Chief Finance Officer

**Sarah Bryan**  
Chief Executive



**AUDITED STATEMENT OF ACCOUNTS****2020/21****CONTENTS**

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## STATEMENT OF ACCOUNTS 2020/21

### 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 organizations, 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 (AGS) 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.
5. The AGS also details the impact of the pandemic on governance in 2020/21. Authority meetings were undertaken remotely and much partnership working was disrupted as projects were unable to be progressed in person.
6. An enhanced governance relationship with Defra began in 2019/20. This included an annual formal agreement and additional reporting requirements.



## Organisation

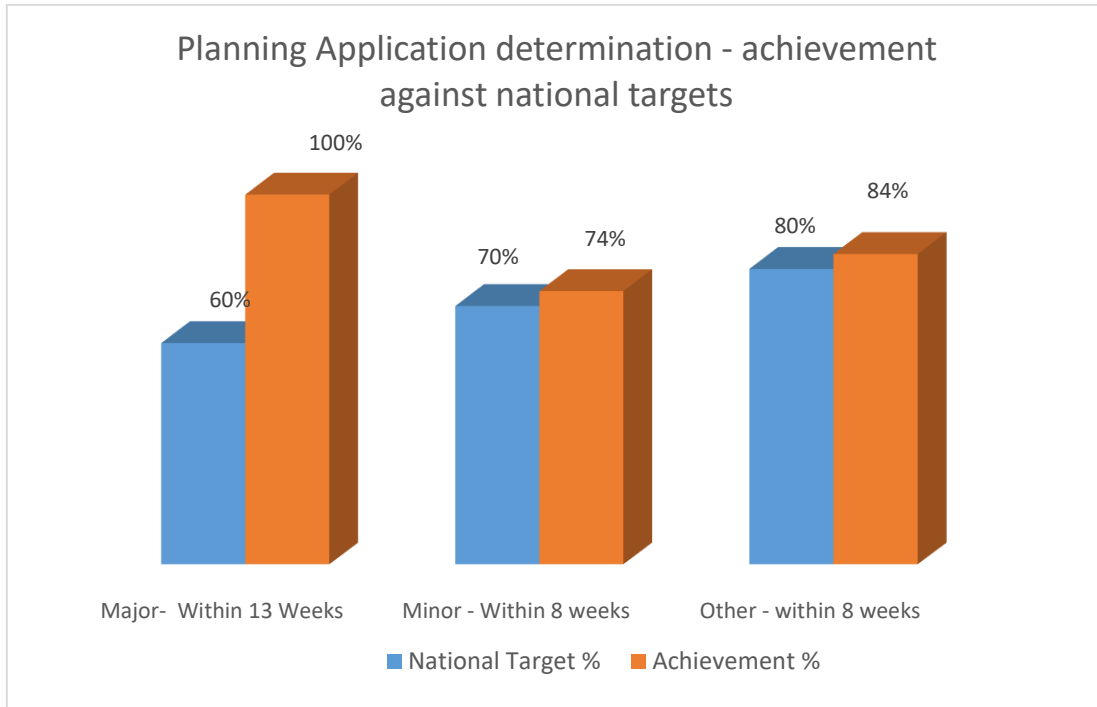
7. To achieve the purposes and duty described in 1 and 2, the organisation is structured in terms of Support to Land Managers, Support to National Park Users and Support to the Community and Business.

## Performance

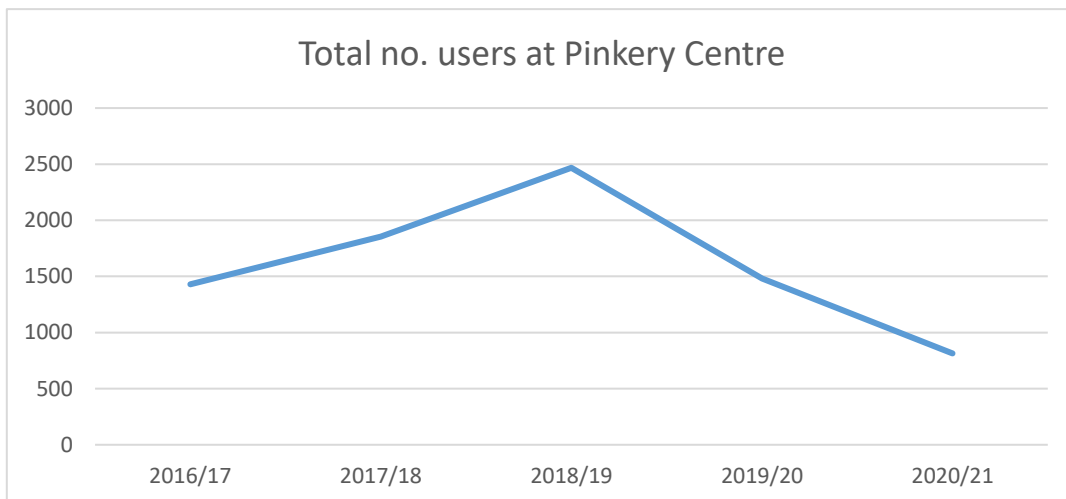
8. 2020/21 saw the completion of the single year Corporate plan for the Authority. A mid-year report of progress in implementing the previous Business Plan was taken to the Authority in December 2020, and the full report went to the Authority in July 2021 alongside the draft accounts. <https://www.exmoor-nationalpark.gov.uk/about-us/meetings-agendas-reports/exmoor-national-park-authority/06-jul-2021/ar-enpa-06.07.21-Item-14.pdf>
9. Progress against key corporate indicators is given in the charts below. 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.
10. The worldwide Covid-19 pandemic took hold during the last few weeks of 2019/20, and following the Government lockdown in March 2020, and 2 further lockdowns, the Authority closed all premises including offices, Field Services depot, National Park Centres, Pinkery Outdoor Education Centre, car parks and toilets, and cancelled all events. Many staff moved to home-working, although some (particularly field based, outreach and visitor services staff) were unable to continue their work from home, and many others were only able to work part time from home due to caring and home-schooling responsibilities. There has inevitably been an impact on delivery of the Corporate Plan priorities.
11. For an analysis of performance in 2020/21 that goes beyond the Key Corporate Indicators please look to the Authority report that will be submitted in July.

## Key Corporate Indicators 1 April 2020 to 31 March 2021

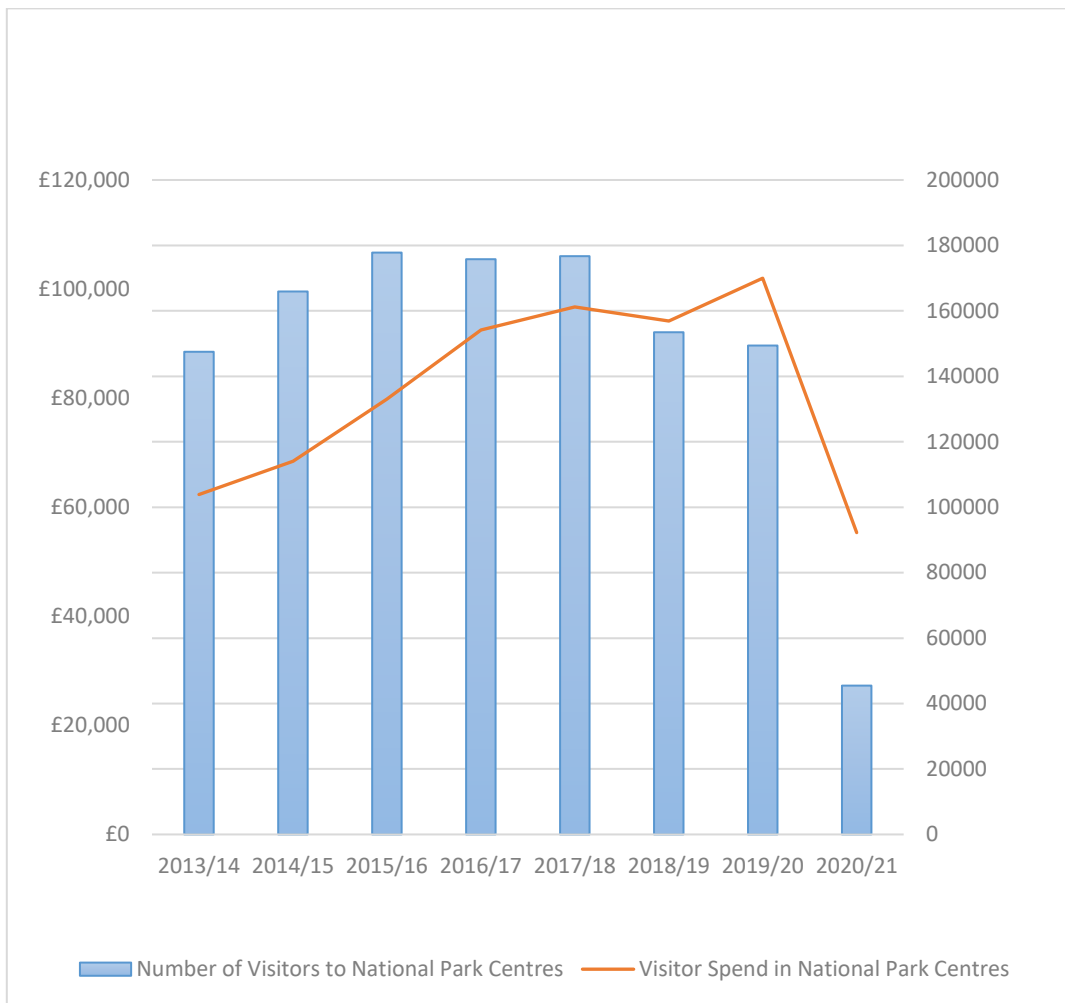
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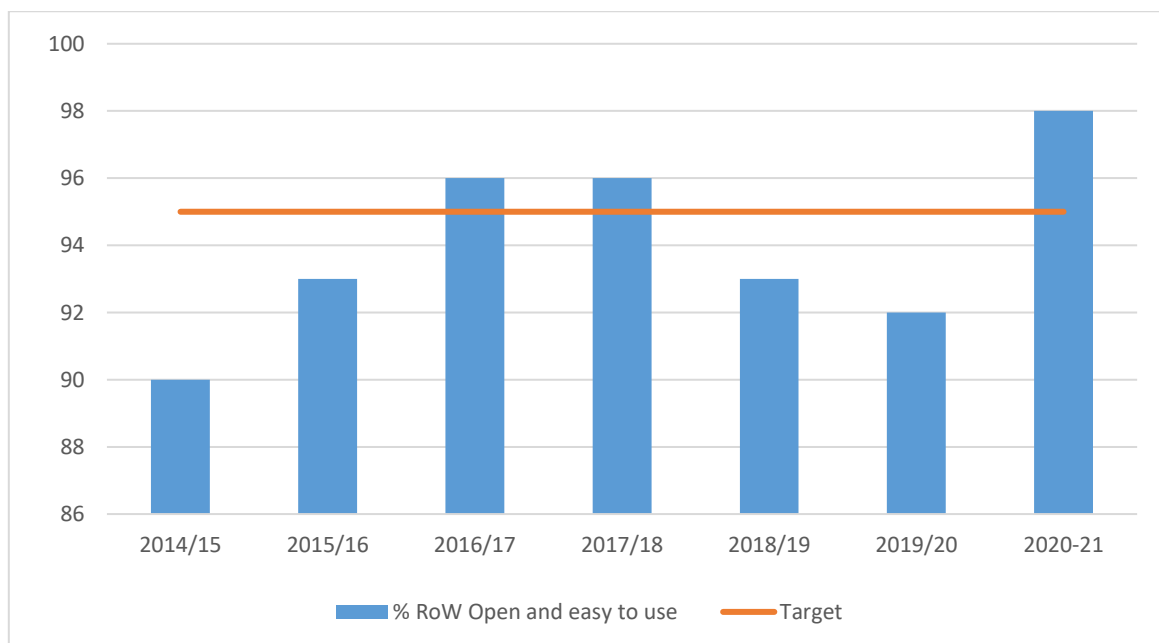
### Pinkery Centre Occupancy rates



## National Park Centre Visitor Numbers and Income Trend



## Rights of Way Open and Easy to Use Score



12. 2020/21 is notable for being the year when Woodside Bridge near Lynmouth was built, further work was undertaken on White Rock Cottage at Simonsbath, new servers were introduced, and the Authority continued to manage the impact of Ash Die-Back on its Woodland Estate. It was also the year when the DEFRA funded 'tests and Trials' were undertaken.

## **Financial Statements**

13. Information relating to financial performance for the year ended 31 March 2021 is contained in the following statements:

### **Comprehensive Income and Expenditure Statement (page 11);**

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 deficit for 2020/21 of £3.779m. This contrasts with a surplus of £0.391 for 2019/20.

### **Movement in Reserves Statement (page 12);**

This statement shows the movement in the year on the different reserves held by the authority, analysed between 'usable' and other 'unusable' reserves. 'Usable' reserves are made up of Earmarked Reserves, General Fund Balances and Capital Receipts. 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.

Usable reserves increased by £39k over the course of 2020/21 to £2.923m and unusable decreased over the same period to £5.2m from £9.0m. The increase in usable reserves is due to £100k of capital receipts.

### **Balance Sheet (page 13)**

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 £8.1m of assets in excess of its liabilities at the end of 2020/21. This is a decrease of £3.8m which is primarily due to an increase in the pensions deficit caused by changes to demographic and financial assumptions. The Authority owns £19.3m 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 14)**

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 increased by £92k over the course of 2020/21.

## Financial Performance

14. The revenue budget for 2020/21 was agreed on the 3 March 2020. 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 £3,730,300 and income of £788,200 giving a net requirement of £2,942,100.
  - A Partnership budget involving expenditure of £269,400 of which £74,400 was top sliced for priority elements, £20,000 set aside for small grants and £175,000 added to reserves.
  
15. This was the budget that was set after receiving the very late notification of no inflationary increase and receiving funding for 'biodiversity' to bring us back to a cash neutral position. Schemes had to be removed from the budget in order that a balanced budget could be set.
  
16. When the Authority closed the accounts for 2019/20 in July there was a further opportunity to rebalance resources. At this point the impact of the pandemic was becoming clearer also. To the Authority the financial impact was assessed as most likely to be felt at the Outdoor Education Centre at Pinkery, car parking and retail sales at the National Park Centres. Government support was received for the National Park Centres and for Pinkery and additional funds were also put aside for the anticipated deficit there. The Authority also established a Covid Response Fund to assist social and community groups with the immediate impact of the pandemic.
  
17. The Authority considered a revised budget and reviewed the elements of the budget at its meeting on 3 November 2020. Additional resources were found for Environmental Resilience and to fund the redundancy process. Funding was also found in year for improvements to the car parks and visitor facilities at the Valley of Rocks and at Ashcombe.
  
18. The key financial outcomes for the year ended 31 March 2021 are:
  - The timing of the pandemic meant that the Authority was able to plan ahead for the assumed financial impacts. That, and government support, meant that Covid 19 did not produce immediate, unmanageable financial pressures. ENPA received gross support of £162k but, unlike other comparable organizations we did not require emergency funding, nor did we furlough any staff.
  - The revenue outturn for the year recommends that funds are redistributed towards the Environmental Resilience and Development of the Planning Service Reserves. Also, a Rural Enterprise Reserve has been established with funds from external funding and related underspends.
  - The core budget shows an underspend for the year of £104k 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>35</b>
<i>Non Cash Transactions</i>		
Reverse Depreciation & Impairment charges	(50)	
Reverse IAS19 Pensions transactions	(417)	
Net transfers from earmarked reserves	(165)	
Asset written of on disposal	20	
Add in Capital Expenditure funded from Revenue	175	
Add in Capital Expenditure funded from Capital Grants	22	
Movement in Employee absence Accrual	(29)	
Upwards Revaluation of Assets	305	
<b>Management Accounts Budget Surplus</b>		<b>(104)</b>

19. 2020/21 was an unusual year but the Authority has continued to perform well against the original and revised budgets set. New challenges continue to arise, but the Authority continues to invest, adapt and evolve to meet these.

## Financial Outlook

20. In recent years the Authority has been successful in managing resources and meeting obligations in the context of a slightly increasing or flat National Park Grant. This has been less than ideal but has at least provided stability and the time to seek out new sources of income.

21. We do not know what the National Park Grant figures will be in future years but we do now know of a new funding stream that will provide much needed additional financial capacity for the delivery of national park purposes. The 'Farming in Protected Landscapes' programme will give National Park Authorities and Areas of Outstanding Natural Beauty the opportunity to deliver a programme of work, aimed at land managers, which delivers elements of the 25 Year Environment Plan. The Authority has sought this for many years and is excited to be a part of it. There is the possibility that in the future, NPAs will have a closer role in the delivery of the new Environmental Land Management Schemes.

22. At the point when this Narrative Report is produced it appears probable that the worst of the financial impact of the pandemic is known. Our outdoor education centre is again providing a residential experience to children, the car parks are busy and visitors are returning to the National Park Centres. We have also received £40k in 'Restart Grants' from Government to facilitate this transition in 2021/22.

23. There will always be challenges arising and pressures to manage however, the Authority continues to maintain a solid financial position and opportunities from the Glover Review and new funding streams will also continue to arise.

G Bryant  
Chief Finance Officer  
November 2021

**STATEMENT OF ACCOUNTS 2020/21****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 Chief Finance Officer's Certificate:**

**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 2021 and its income and expenditure for the year ended 31 March 2021.**

**G Bryant**

**Chief Finance Officer: ..... Date: 11<sup>th</sup> January 2022**

**Approval of Accounts:**

**I confirm that these accounts were approved by resolution of the Final Accounts Committee on 11<sup>th</sup> January 2022.**

**Chairman: ..... Date: 11<sup>th</sup> January 2022**

## 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.

2019/20				2020/21		
Gross Expenditure £000	Gross Income £000 (Notes 10 & 11)	Net Expenditure £000		Gross Expenditure £000	Gross Income £000 (Notes 10 & 11)	Net Expenditure £000
1,435	(487)	948	Support to Land Managers	1,685	(428)	1,257
494	(166)	328	Support to the Community	627	(224)	403
951	(341)	610	Support to National Park Users	283	(332)	(49)
1,373	(289)	1,084	Support Services	1,251	(271)	980
263		263	Corporate Management	264		264
238	(17)	221	Partnership Fund	195		195
<b>4,754</b>	<b>(1,300)</b>	<b>3,454</b>	<b>Cost of Services</b>	<b>4,305</b>	<b>(1,255)</b>	<b>3,050</b>
9	-	9	Other Operating Expenditure (Note 12)	8	(20)	(12)
225	(30)	195	Financing and Investment Income and Expenditure (Note 13)	225	(17)	208
-	(3,211)	(3,211)	Taxation and Non-Specific Grant Income (Note 14)	-	(3,211)	(3,211)
<b>4,988</b>	<b>(4,541)</b>	<b>447</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>4,538</b>	<b>(4,503)</b>	<b>35</b>
		(596)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (Notes 22 & 23)			(74)
		(242)	Remeasurement of Net Defined Benefit Liability/ (Asset) (Note 34)			3,818
		<b>(838)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>3,744</b>
		<b>(391)</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>3,779</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 Balance £000	Capital Receipts Unapplied £000	Total Usable reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019</b>	<b>2,984</b>	-	<b>2,984</b>	<b>8,544</b>	<b>11,528</b>
<b>Movement in reserves during 2019/20</b>					
Total Comprehensive Income and Expenditure	(447)	-	<b>(447)</b>	838	<b>391</b>
Adjustments between accounting basis & funding basis under regulations (Note 20)	347	-	<b>347</b>	(347)	-
<b>Net Increase/(Decrease)</b>	<b>(100)</b>	-	<b>(100)</b>	<b>491</b>	<b>391</b>
<b>Balance at 31 March 2020</b>	<b>2,884</b>	-	<b>2,884</b>	<b>9,035</b>	<b>11,919</b>
<b>Movement in reserves during 2020/21</b>					
Total Comprehensive Income and Expenditure	(35)	-	<b>(35)</b>	(3,744)	<b>(3,779)</b>
Adjustments between accounting basis & funding basis under regulations (Note 20)	(26)	100	<b>74</b>	(74)	-
<b>Increase/(Decrease) in 2020/21</b>	<b>(61)</b>	<b>100</b>	<b>39</b>	<b>(3,818)</b>	<b>(3,779)</b>
<b>Balance at 31 March 2021 (Notes 21 and 31)</b>	<b>2,823</b>	<b>100</b>	<b>2,923</b>	<b>5,217</b>	<b>8,140</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 2020 £000		Notes	31 March 2021 £000
18,765	Property, Plant & Equipment	22	19,281
81	Heritage Assets	23	92
<b>18,846</b>	<b>Long Term Assets</b>		<b>19,373</b>
74	Inventories	-	67
256	Short Term Debtors	26	214
2,800	Cash and Cash Equivalents	27	2,900
80	Assets Held for Sale	24	-
<b>3,210</b>	<b>Current Assets</b>		<b>3,181</b>
(16)	Receipts in Advance	-	(8)
(37)	Cash and Cash Equivalents	27	(45)
(246)	Short Term Creditors	28	(288)
<b>(299)</b>	<b>Current Liabilities</b>		<b>(341)</b>
(9,838)	Other Long Term Liabilities	34	(14,073)
<b>(9,838)</b>	<b>Long Term Liabilities</b>		<b>(14,073)</b>
<b>11,919</b>	<b>Net Assets</b>		<b>8,140</b>
2,884	Usable Reserves	21,29	2,923
9,035	Unusable Reserves	31	5,217
<b>11,919</b>	<b>Total Reserves</b>		<b>8,140</b>

## Authorised for Issue

The un-audited Accounts were authorised for issue by the Chief Finance Officer on 18 June 2021.

The audited Accounts were authorised for issue by the Chief Finance Officer on 11 January 2022.

## 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>2019/20 £000</b>		<b>2020/21 £000</b>
<b>447</b>	<b>Net (surplus) or deficit on the Provision of Services</b>	<b>35</b>
	<i>Adjustments for-</i>	
(741)	Non Cash Movements (Note 36)	(224)
<b>(294)</b>	<b>Net Cash flows from Operating Activities</b>	<b>(189)</b>
331	Investing Activities (Note 37)	97
-	Financing Activities (Note 38)	-
<b>37</b>	<b>Net (increase)/decrease in Cash and Cash equivalents</b>	<b>(92)</b>
2,800	Cash and Cash Equivalents at the beginning of the reporting period	2,763
<b>2,763</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>2,855</b>
<b>37</b>	<b>Net (increase)/decrease in Cash and Cash equivalents</b>	<b>(92)</b>

## STATEMENT OF ACCOUNTS 2020/21

### NOTES TO THE ACCOUNTS

#### Note 1: Accounting Policies

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

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. 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 2020/21 (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 16,34)**

#### 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)**

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 19)**

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, 31)**

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. Both of these are valued at Existing Use Value.

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

The 2020/21 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 2020/21 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.

IFRS16 Finance Leases was to have been introduced in the 2020/21 code. However, CIPFA has since deferred the start date (twice) until 1 April 2022. The impact of IFRS 16 cannot yet be estimated and work will be undertaken to inform the impact on the 2022/23 Accounts. There are therefore no accounting changes due in 2021/22 that are anticipated to have a material effect on the Authority's financial performance or financial position.

## **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. There is no indication that Defra or Central Government intends to abolish National Park Authorities.

## **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.

Two items in the Authority's Balance Sheet as at 31 March 2021, for which there is a significant risk of material adjustment in forthcoming financial years, is as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<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 advice about the assumptions to be applied.	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 £627K. However the assumptions interact in complex ways. During 2020/21, the Authority's actuaries advised that due to estimates being adjusted (as a result of experience and updating the assumptions) the net pension liability had increased by £4.2m.

<b>Property Plant and Equipment</b>	Market uncertainty for opinions of value in response to the potential impact of the Coronavirus pandemic	Valuation decreases would impact on the value of the Authority's balance sheet. The property portfolio is valued at either current value or depreciated replacement cost. Valuations have been undertaken on an annual basis in recent years and there is an expectation that markets will return to normal in time. The situation will be kept under review.
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#### **Note 5: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 11 January 2022. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **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 19 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 2020/21 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 35 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.

2019/20				2020/21		
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
1,113	(165)	948	Support to Land Managers	1,075	182	1,257
298	30	328	Support to the Community	376	27	403
532	78	610	Support to National Park Users	442	(491)	(49)
957	127	1,084	Support Services	867	113	980
240	23	263	Corporate Management	247	17	264
201	20	221	Partnership Fund	182	13	195
<b>3,341</b>	<b>113</b>	<b>3,454</b>	<b>Net Cost of Services</b>	<b>3,189</b>	<b>(139)</b>	<b>3,050</b>
(3,241)	234	(3,007)	Other Income & Expenditure	(3,228)	213	(3,015)
<b>100</b>	<b>347</b>	<b>447</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(39)</b>	<b>74</b>	<b>35</b>
<b>(2,984)</b>			<b>Opening General Fund Balance</b>	<b>(2,884)</b>		
100			Deficit on General Fund in Year	61		
<b>(2,884)</b>			<b>Closing General Fund Balance</b>	<b>(2,823)</b>		

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

Adjustments between the Funding and Accounting Basis 2020/21.

Adjustments from the General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes (note a) £000	Net change for Pensions Adjustment (note b) £000	Other Differences (note c) £000	Total Adjustments £000
Support to Land Managers	116	57	9	182
Support to the Community	1	22	4	27
Support to National Park Users	(521)	26	4	(491)
Support Services	52	53	8	113
Corporate Management		15	2	17
Partnership Fund		11	2	13
<b>Net Cost of Services</b>	<b>(352)</b>	<b>184</b>	<b>29</b>	<b>(139)</b>
Other Income & Expenditure	(20)	233	-	213
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(372)</b>	<b>417</b>	<b>29</b>	<b>74</b>

Adjustments between the Funding and Accounting Basis 2019/20

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	(254)	85	4	(165)
Support to the Community	2	27	1	30
Support to National Park Users	27	49	2	78
Support Services	40	83	4	127
Corporate Management	-	22	1	23
Partnership Fund	-	19	1	20
<b>Net Cost of Services</b>	<b>(185)</b>	<b>285</b>	<b>13</b>	<b>113</b>
Other Income & Expenditure	-	234	-	234
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(185)</b>	<b>519</b>	<b>13</b>	<b>347</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 2020/21.

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

2019/20 £000	Expenditure	2020/21 £000
2,619	Employee Benefits Expenses	2,885
2,027	Other Service Expenses	1,284
117	Depreciation, Amortisation & Impairment	124
225	Interest Payments	225
<b>4,988</b>	<b>Total Expenditure</b>	<b>4,518</b>
	<b>Income</b>	
(1,300)	Grants, Fees, Charges and other Service Income	(1,255)
(3,211)	Government Grants & Contributions	(3,211)
(30)	Interest & Investment Income	(17)
<b>(4,541)</b>	<b>Total Income</b>	<b>(4,483)</b>
<b>447</b>	<b>(Surplus)/ Deficit on the provision of service</b>	<b>35</b>

## Note 11: Segmental Income

### 2020/21

	<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	(413)	(10)	-	(5)	<b>(428)</b>
Support to the Community	(131)	(93)	-	-	<b>(224)</b>
Support to National Park Users	(164)	(87)	(51)	(30)	<b>(332)</b>
Support Services	(114)	(1)	-	(156)	<b>(271)</b>
Corporate Management	-	-	-	-	-
Partnership Fund	-	-	-	-	-
<b>Total Income</b>	<b>(822)</b>	<b>(191)</b>	<b>(51)</b>	<b>(191)</b>	<b>(1,255)</b>

### 2019/20

	<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	(454)	(28)	-	(5)	<b>(487)</b>
Support to the Community	(14)	(152)	-	-	<b>(166)</b>
Support to National Park Users	(25)	(193)	(93)	(30)	<b>(341)</b>
Support Services	(121)	(3)	-	(165)	<b>(289)</b>
Corporate Management	-	-	-	-	-
Partnership Fund	(17)	-	-	-	<b>(17)</b>
<b>Total Income</b>	<b>(631)</b>	<b>(376)</b>	<b>(93)</b>	<b>(200)</b>	<b>(1,300)</b>

## Note 12: Other operating expenditure

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
-	(Gains)/Losses on the disposal of non-current assets	(20)
9	IAS19 Administration expense	8
<b>9</b>	<b>Total</b>	<b>(12)</b>

## Note 13: Financing and Investment Income and Expenditure

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
225	Net interest on the net defined pensions liability	225
(30)	Interest receivable and similar income	(17)
<b>195</b>	<b>Total</b>	<b>208</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(3,211)	Non-ring fenced government grants	(3,211)
<b>(3,211)</b>	<b>Total</b>	<b>(3,211)</b>

## Note 15: Members Allowances

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
16	Special Responsibility Allowance	16
59	Basic Allowance	61
7	Allowance for mileage	1
<b>82</b>	<b>TOTAL</b>	<b>78</b>



## Note 16: Officers' Remuneration

The Authority is required to name all officers that earn over £150,000 per annum for all or part of a year (there are none); and to list all officers who earn between £50,000 and £150,000 for all or part of a year, and who also fit the following criteria:

- They report directly to the Chief Executive, or;
- They are part of the Authority's Senior Management Team, or;
- They hold posts required by statute (the Chief Finance Officer and the Monitoring Officer)

	Salary, Fees and Allowances £000	Expense Allowance £000	Total Remuneration (excl. pension contribution) £000	Pension Contribution £000	Total Remuneration including pension contribution £000
Chief Executive – 2020/21	88	-	88	16	104
Chief Executive – 2019/20	74	-	74	11	85

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:

2019/20 Number of employees	Remuneration band	2020/21 Number of employees
-	£50,000 - £54,999	1
-	£55,000 - £59,999	-
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
1	£70,000 - £74,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	1

## Note 17: 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	-	2	-	-	-	2	-	10
£20,001 - £40,000	-	-	-	1	-	1	-	24
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	1	-	1	-	70
£80,001 - £100,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>2</b>	-	<b>2</b>	-	<b>4</b>	-	<b>104</b>

## Note 18: 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:

2019/20 £000		2020/21 £000
9	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	9
6	Audit Fee variation (*Proposed)	*7
<b>15</b>	<b>Total</b>	<b>16</b>

## Note 19: Grant Income

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

Credited to Taxation and Non Specific Grant Income	2019/20 £000	2020/21 £000
National Park Grant – DEFRA	3,211	3,211
<b>Total</b>	<b>3,211</b>	<b>3,211</b>
<b>Credited to Services</b>		
Tests and Trials – DEFRA	20	72
Astro Tourism – SWAT	-	20
Covid Support/ Rate reliefs – SWAT & NDDC	-	136
Walks Project – SWAT	-	11
Visit Exmoor Grant – Visit Britain	-	14
Brownfield Register – CLG	2	-
Custom Build Grant - CLG	15	-
Rural Crime Grant – Police Community Trust	3	-
Exmoor Tree Nursery – Devon Environmental Foundation	-	15
Woodlands – Plantlife	-	7
Woodside Bridge – Lyn Community Development Trust	-	22
Health & Wellbeing – Somerset County Council	-	18
Mend Our Mountains - BMC	35	-
Monument Management Scheme – Historic England	8	-
Cow Castle – Honeymead Arts Trust	-	2
Coast Path & Landscape Monitoring – Natural England	22	26
Woodland Visualisation Project – Natural England	-	5
Forestry Grant – Royal Forestry Grant	10	-
Grey Squirrel Control – Forestry Commission	-	3
Woodland Improvement Grant – RPA	17	-
White Rock Cottage Development – Leader (RPA)	88	-
Basic Payment & Higher Level Stewardship Scheme – RPA	100	106
Countryside Stewardship – RPA	48	48
Rhododendron Control - RPA	-	4
Long Holcombe – RPA	3	-
<b>Total</b>	<b>371</b>	<b>509</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.

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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	417	-	-	(417)
Holiday pay	29	-	-	(29)
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)	(197)	-	22	175
<b>Total Adjustments to Revenue Resources</b>	<b>249</b>	<b>-</b>	<b>22</b>	<b>(271)</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(175)	-	-	175
Transfer of sales proceeds credited as part of the gain/loss on disposal	(100)	100	-	-
<b>Total Adjustments between Revenue and Capital resources</b>	<b>(275)</b>	<b>100</b>	<b>-</b>	<b>175</b>
<b>Adjustments to Capital Resources:</b>				
Application of Capital Grants to finance Capital Expenditure	-	-	(22)	22
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(22)</b>	<b>22</b>
<b>Total Adjustments</b>	<b>(26)</b>	<b>100</b>	<b>-</b>	<b>(74)</b>

2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<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	519	-	-	(519)
Holiday pay	13	-	-	(13)
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)	58	-	88	(146)
<b>Total Adjustments to Revenue Resources</b>	<b>590</b>	<b>-</b>	<b>88</b>	<b>(678)</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(243)	-	-	243
Transfer of sales proceeds credited as part of the gain/loss on disposal	-	-	-	-
<b>Total Adjustments between Revenue and Capital resources</b>	<b>(243)</b>	<b>-</b>	<b>-</b>	<b>243</b>
<b>Adjustments to Capital Resources:</b>				
Application of Capital Grants to finance Capital Expenditure	-	-	(88)	88
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(88)</b>	<b>88</b>
<b>Total Adjustments</b>	<b>347</b>	<b>-</b>	<b>-</b>	<b>(347)</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.
- Capital Grants – these include funds received from external organisations towards investment in assets.
- Capital receipts Reserve – holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure

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 2019 £000	Transfers between Reserves £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Increase/ Decrease (-) in useable Reserves 2019/20 £000	Balance at 31 March 2020 £000	Transfers between Reserves £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Increase/ Decrease in useable Reserves 2020/21 £000	Balance at 31 March 2021 £000
Earmarked Reserves	2,242	1	376	(535)	(158)	2,084	185	436	(483)	138	2,222
Partnership Fund Reserves	407	71	198	(201)	68	475	(56)	64	(182)	(174)	301
General Fund Balance	335	(72)	62		(10)	325	(129)	104		(25)	300
Capital Grants Unapplied	-	-	88	(88)	-	-	-	22	(22)	-	-
Capital Receipts Reserve	-	-	-	-	-	-	-	100	-	100	100
<b>Total Useable Reserves</b>	<b>2,984</b>	<b>-</b>	<b>724</b>	<b>(824)</b>	<b>(100)</b>	<b>2,884</b>	<b>-</b>	<b>726</b>	<b>(687)</b>	<b>39</b>	<b>2,923</b>

## Notes to Support the Balance Sheet

### Note 22: Property, Plant and Equipment

#### Movements on Balances

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation 1 April 2020</b>	<b>18,368</b>	<b>242</b>	<b>-</b>	<b>297</b>	<b>18,907</b>
Additions	61	66	<b>70</b>	-	<b>197</b>
De-recognition – Disposals	-	(84)	-	-	<b>(84)</b>
Reclassifications (to)/ from held for sale	-	-	-	-	-
Revaluation Increase/ decrease (-):					
- to Revaluation Reserve	71	-	-	-	<b>71</b>
- to Surplus/ Deficit on the provision of service	530	-	-	(233)	<b>297</b>
Other movement in cost of valuation	64	-	-	(64)	-
<b>Cost or Valuation 31 March 2021</b>	<b>19,094</b>	<b>224</b>	<b>70</b>	<b>0</b>	<b>19,388</b>
<b>Accumulated depreciation 1 April 2020</b>	<b>-</b>	<b>(141)</b>	<b>-</b>	<b>-</b>	<b>(141)</b>
Depreciation Charge	(74)	(47)	(3)	-	<b>(124)</b>
Derecognition - Disposals	-	84	-	-	<b>84</b>
Depreciation written out to the Revaluation Reserve	22	-	-	-	<b>22</b>
Depreciation written out to the Surplus/ Deficit on the provision of services	52	-	-	-	<b>52</b>
<b>Total Depreciation at 31 March 2021</b>	<b>-</b>	<b>(104)</b>	<b>(3)</b>	<b>-</b>	<b>(107)</b>
<b>Net Book Value at 1 April 2020</b>	<b>18,368</b>	<b>101</b>		<b>297</b>	<b>18,766</b>
<b>Net Book Value at 31 March 2021</b>	<b>19,094</b>	<b>120</b>	<b>67</b>	<b>-</b>	<b>19,281</b>

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation 1 April 2019</b>	<b>17,831</b>	<b>316</b>	-	-	<b>18,147</b>
Additions	55	-	-	277	332
De-recognition – Disposals	-	(74)	-	-	(74)
Reclassifications (to)/ from held for sale	-	-	-	-	-
Revaluation Increase/ decrease (-):					
- to Revaluation Reserve	595	-	-	-	595
- to Surplus/ Deficit on the provision of service	(93)	-	-	-	(93)
Other movement in cost of valuation	(20)	-	-	20	-
<b>Cost or Valuation 31 March 2020</b>	<b>18,368</b>	<b>242</b>	-	297	<b>18,907</b>
<b>Accumulated depreciation 1 April 2019</b>	-	(162)	-	-	(162)
Depreciation Charge	(63)	(53)	-	-	(116)
Derecognition - Disposals	-	74	-	-	74
Depreciation written out to the Revaluation Reserve	11	-	-	-	11
Depreciation written out to the Surplus/ Deficit on the provision of services	52	-	-	-	52
<b>Total Depreciation at 31 March 2020</b>	-	(141)	-	-	(141)
<b>Net Book Value at 1 April 2019</b>	<b>17,831</b>	<b>154</b>	-	-	<b>17,985</b>
<b>Net Book Value at 31 March 2020</b>	<b>18,368</b>	<b>101</b>	-	297	<b>18,766</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
- Infrastructure: 25 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 2020/21 the valuation was carried out by Mark Reynolds MRICS and Registered Valuer while employed by the NPS Group Limited 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 – Global Standards January 2020, 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 31 March 2021.

## Market Uncertainty

It was reported last year that the outbreak of the coronavirus (COVID-19) and its impact on the world's economy could be felt for many months and possibly years. VPGA 10 of the Red Book gives guidance about matters that may give rise to material valuation uncertainty. Para 2.4 states that *'markets can be disrupted by relatively unique factors. Such disruption can arise due to unforeseen financial, macro-economic, legal, political or even natural events. If the valuation date coincides with, or is in the immediate aftermath of, such an event there may be a reduced level of certainty that can be attached to a valuation, due to inconsistent, or an absence of, empirical data, or to the valuer being faced with an unprecedented set of circumstances on which to base a judgment'*.

It is considered that there is material uncertainty as at 31 March 2021 in respect of the commercial type assets, and, in line with the RICS document 'Impact of COVID-19 on valuation – Supplement to RICS Practice Alert' dated 06 November 2020, the following statement applies to the valuations: 'The outbreak of COVID-29, declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational requirements have been implemented by many countries. In some cases, 'lockdowns' have been applied to varying degrees and to reflect further 'waves' of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally'.

In respect of the Exmoor commercial property sector, as at 31 March 2021: 'we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuations of the Authority's assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case'.

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



	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	1,744	120	67	-	1,931
Valued at Current Value as at 31/03/2020	17,350	-	-	-	17,350
<b>Net Book Value at 31 March 2021</b>	<b>19,094</b>	<b>120</b>	<b>67</b>	<b>-</b>	<b>19,281</b>

### Note 23: Heritage Assets

	Heritage Assets £000
<b>Cost or Valuation 1 April 2020</b>	<b>81</b>
Additions	-
Revaluation Increase/ decrease (-):	
- to Revaluation Reserve	3
- to Surplus/ Deficit on the provision of service	8
<b>Cost or Valuation 31 March 2021</b>	<b>92</b>
<b>Cost or Valuation 1 April 2019</b>	<b>81</b>
Additions	-
Revaluation Increase/ decrease (-):	
- to Revaluation Reserve	-
- to Surplus/ Deficit on the provision of service	-
<b>Cost or Valuation 31 March 2020</b>	<b>81</b>

### Note 24: Assets Held for Sale

31 March 2020 £000		31 March 2021 £000
<b>80</b>	<b>Balance outstanding at the start of the year</b>	<b>80</b>
-	Assets newly classified as held for sale	-
-	Assets sold	80
<b>80</b>	<b>Balance outstanding at the end of the year</b>	<b>-</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 2020 £000		31 March 2021 £000
2,800	Comingled Fund	2,900
-	Cash in hand and at bank	-
239	Contractual Debtors	183
<b>3,039</b>	<b>Total</b>	<b>3,083</b>

## Financial Liabilities: Amortised Cost

31 March 2020 £000		31 March 2021 £000
(37)	Bank Overdraft	(45)
(204)	Contractual Creditors	(242)
<b>(241)</b>	<b>Total</b>	<b>(287)</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 2020 £000		31 March 2021 £000
(30)	Interest Income	(17)
<b>(30)</b>	<b>Total</b>	<b>(17)</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

## 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 26: Debtors

31 March 2020 £000		31 March 2021 £000
104	Central government bodies	84
5	Other local authorities	52
19	Public corporations and trading funds	47
128	Other entities and individuals	31
<b>256</b>	<b>Total</b>	<b>214</b>

### Note 27: Cash and Cash Equivalents

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

31 March 2020 £000		31 March 2021 £000
(37)	Bank Current Accounts	(45)
2,800	Co-mingled fund held by Somerset County Council	2,900
<b>2,763</b>	<b>Total Cash and Cash Equivalents</b>	<b>2,855</b>

### Note 28: Creditors

31 March 2020 £000		31 March 2021 £000
(51)	Other local authorities	(116)
(42)	Public corporations and trading funds	(46)
(153)	Other entities and individuals	(126)
<b>(246)</b>	<b>Total</b>	<b>(288)</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: Capital Grants

31 March 2020 £000		31 March 2021 £000
-	<b>Balance at 1 April</b>	-
(88)	Capital grants received	(22)
88	Capital grants used to finance spend	22
-	<b>Balance at 31 March</b>	-

### Note 31: Unusable Reserves

31 March 2020 £000		31 March 2021 £000
(10,813)	Revaluation Reserve	(10,861)
(8,113)	Capital Adjustment Account	(8,511)
9,838	Pensions Reserve	14,073
53	Accumulated Absences Account	82
<b>(9,035)</b>	<b>Total Unusable Reserves</b>	<b>(5,217)</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.

2019/20 £000		2020/21 £000
<b>(10,217)</b>	<b>Balance at 1 April</b>	<b>(10,813)</b>
(759)	Upward revaluation of assets	(311)
163	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of Services	238
<b>(596)</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>(73)</b>
-	Difference between fair value depreciation and historical cost depreciation	-
-	Accumulated gains on assets sold or scrapped	25
-	<b>Amount written off to the Capital Adjustment Account</b>	<b>25</b>
<b>(10,813)</b>	<b>Balance at 31 March</b>	<b>(10,861)</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.

2019/20 £000		2020/21 £000
(7,928)	<b>Balance at 1 April</b>	(8,113)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
53	Charges for depreciation and impairment of non-current assets	50
93	Revaluation losses on Property, Plant and Equipment	(306)
-	Revenue expenditure funded from capital under statute	-
-	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	55
(7,782)		(8,314)
-	Adjusting amounts written out of the Revaluation Reserve	-
(7,782)	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	(8,314)
<b>Capital financing applied in the year:</b>		
(88)	Use of Capital Grants to finance capital expenditure	(22)
(243)	Capital Expenditure charged against the General Fund	(175)
(8,113)	<b>Balance at 31 March</b>	(8,511)

## 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.

2019/20 £000		2020/21 £000
<b>9,561</b>	<b>Balance at 1 April</b>	<b>9,838</b>
(242)	Remeasurement of net defined liability	3,818
962	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI & E	943
(443)	Employer's pensions contributions and direct payments to pensioners payable in the year	(526)
<b>9,838</b>	<b>Balance at 31 March</b>	<b>14,073</b>

#### 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.

2019/20 £000		2020/21 £000
<b>40</b>	<b>Balance at 1 April</b>	<b>53</b>
(40)	Settlement or cancellation of accrual made at the end of the preceding year	(53)
53	Amounts accrued at the end of the current year	82
-	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.	-
<b>53</b>	<b>Balance at 31 March</b>	<b>82</b>

#### Note 32: 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.

	2019/20 £000	2020/21 £000
<i>Capital Investment</i>		
Property, Plant & Equipment	331	197
Revenue Expenditure Funded from Capital under Statute	-	-
<i>Sources of finance</i>		
Capital Receipts	-	-
Government Grants and other contributions	88	22
Sums set aside from revenue	243	175

### **Note 33: Impairment Losses**

The Authority did not recognise any impairment losses during 2020/21 (2019/20 £0k). Impairment losses are recognised as part of the valuation of the authority's non-current assets.

### **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 the Local Government Pension Scheme that is 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.

The Pension Fund Committee, at Somerset County Council, oversees the management of the Fund whilst the day-to-day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers. As administering authority to the Fund, Somerset County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The latest actuarial valuation of the Fund was carried out as at 31 March 2019 and contributions have been set for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks

In addition, as many unrelated employers participate in the Somerset County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers. All of the risks above may also benefit the employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers. The Authority's Pension Fund liability does not represent an immediate call on reserves; it is a snap-shot valuation in time, based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term.

In 2019/20 we made allowance for the potential impact of the *McCloud & Sargeant* judgement, which has been rolled forward and remeasured to obtain the accounting results as at 31 March 2021. In 2019 a judgement was made in the Court of Appeal about cases involving judges' and firefighters' pensions (*McCloud & Sargeant*). The cases concerned age discrimination in the arrangements for protecting certain scheme members from the impact of introducing new pensions arrangements. This ruling will also extend to the LGPS; as when the LGPS was restructured in 2014, it allowed protections for those members who were active in the Scheme in 2012 and over the age of 55.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the *McCloud & Sargeant* cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. We do not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, we have not included any further adjustment in light of the ongoing consultation in this report.

There are also uncertainties in relation to LGPS benefits due to the previously paused 2016 cost cap process, which has recently been un-paused by Government, but this process also needs to consider and include the remedy for the *McCloud & Sargeant* judgement; it remains uncertain what changes may be made to LGPS benefits as a result.

### **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:



	2019/20 £000	2020/21 £000
<i>Service Cost</i>		
<ul style="list-style-type: none"> <li>• Current Service Cost</li> <li>• Past Service Costs (including curtailments)</li> </ul>	728	691
<b>Total Service Cost</b>	<b>728</b>	<b>691</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>	225 9	225 8
<b>Total Net Interest</b>	<b>234</b>	<b>233</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>962</b>	<b>924</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>	1,051 1,274 10 (2,734) 157	(2,965) (268) (233) 7,284 -
<b>Total re-measurements recognised in Other Comprehensive Income</b>	<b>(242)</b>	<b>3,818</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>720</b>	<b>4,742</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>(962)</b>	<b>(943)</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>443</b>	<b>526</b>

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

	2019/20 £000	2020/21 £000
Present value of funded obligation	(21,387)	(29,145)
Fair value of employer assets	11,841	15,374
Present value of unfunded obligation	(292)	(302)
<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>(9,838)</b>	<b>(14,073)</b>

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

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Opening Balance at 1 April</b>	<b>(22,074)</b>	<b>(21,679)</b>
Current service cost	(728)	(691)
Interest cost	(528)	(507)
Change in financial assumptions	2,734	(7,284)
Change in demographic assumptions	(10)	233
Experience loss / (gain) on defined benefit obligation	(1,274)	268
Estimated benefits paid net of transfers in	302	339
Past service costs, including curtailments	-	(19)
Contributions by scheme participants	(125)	(131)
Unfunded pension payments	24	24
<b>Closing Balance at 31 March</b>	<b>(21,679)</b>	<b>(29,447)</b>

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

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Opening Balance at 1 April</b>	<b>12,513</b>	<b>11,841</b>
Interest on assets	303	282
Return on assets less interest	(1,051)	2,965
Other actuarial gains/(losses)	(157)	-
Administration expenses	(9)	(8)
Contributions by employer including unfunded	443	526
Contributions by scheme participants	125	131
Estimated benefits paid plus unfunded net of transfers in	(326)	(363)
<b>Closing Balance at 31 March</b>	<b>11,841</b>	<b>15,374</b>

The liabilities show the underlying commitments that the authority has to pay post-employment (retirement) benefits. The total liability of £14,073k (2019/20 £9,838k) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in the overall balance of £8,140k (2019/20 £11,919k). 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:**

	<b>2019/20</b>		<b>2020/21</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	7,986	67%	11,117	72%
Gilts	776	7%	857	6%
Other Bonds	1,187	10%	1,447	9%
Property	1,123	10%	1,031	7%
Cash and cash equivalents	769	6%	922	6%
<b>Total</b>	<b>11,841</b>	<b>100%</b>	<b>15,374</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 2022 is £502k.

## 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 2019. Their estimate of the past service liability is 21 years. This is based on membership data provided as part of the recent valuation.

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

<i>Mortality assumptions</i>	2019/20	2020/21
Retiring today:		
• Men	23.3	23.1
• Women	24.7	24.6
Retiring in 20 years:		
• Men	24.7	24.4
• Women	26.2	26.0
Rate of Inflation (RPI/CPI)	2.65%/1.85%	3.20%/2.85%
Rate of increase in salaries	2.85%	3.85%
Rate of increase in pensions	1.85%	2.85%
Rate for discounting scheme liabilities	2.35%	2.00%
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 2019/20.

<b>Sensitivity Analysis</b>	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	28,820	29,447	30,088
Projected service cost	1,025	1,059	1,095
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	29,511	29,447	29,384
Projected service cost	1,060	1,059	1,059
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	30,019	29,447	28,888
Projected service cost	1,094	1,059	1,025
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	30,734	29,447	28,216
Projected service cost	1,105	1,059	1,016

### 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 £390,000.

The Authority is owed over £100k 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

2019/20 £000		2020/21 £000
(53)	Depreciation and Amortisation	(50)
(93)	Impairment and Downward Valuations	306
(519)	Actuarial Charges for Retirement Benefits	(417)
14	Increase/(Decrease) in Inventory	(7)
(94)	Increase/(Decrease) in Debtors	(42)
4	(Increase)/Decrease in Creditors & Receipts in Advance	(34)
-	Carrying amount of Non-Current Assets de-recognised	20
<b>(741)</b>		<b>(224)</b>

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

2019/20 £000		2020/21 £000
331	Purchase of property, plant and equipment, investment property and intangible assets	197
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(100)
<b>331</b>	<b>Net cash flows from investing activities</b>	<b>97</b>

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

2019/20 £000		2020/21 £000
-	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>	<b>-</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 arrangements for 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 2015 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 2021 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;
  - 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 (2016) ;
- 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 Public Sector Audit Appointments;
- 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. As a consequence of certain Internal Audit findings, the Authority has undertaken a review of Safeguarding policies and practices. These changes were agreed with Internal Audit in May 2021.

5.2 During 2021/22 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 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 Government on the Landscape Review;
- Continuing to operate within limited resources while increasing revenue from alternative sources;
- Continuing to develop customer service standards and culture; and
- Monitoring the performance of the Corporate Plan.
- Abide by the working arrangements determined by law and recommended guidance in the context of the current pandemic.
- Implement the updated Safeguarding policies and procedures.
- Potentially establish a method of allocating new funding streams.
- Manage the ongoing impact of cv19.
- Implement the transition back to in person but distanced meetings, and staff gradually returning to Exmoor House.
- Continue to engage and communicate flexibly while making best use of technology.

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                      Chairman

**Date** .....