

Report 1: Annual Accounts and Audit Report 2022/23

1. Purpose of Report

- a. To present the report of independent auditors Ernst & Young LLP on the annual accounts and provide members with an opportunity to discuss their findings to date and any significant implications.

2. Recommendations

The Authority is recommended to:

- a. note the Draft Statement of Accounts 2022/23 (Appendix 1 to Report 1);
- b. delegate responsibility to the Chairman and Chief Executive (National Park Officer) in consultation with the Chair of the Finance and Audit Group to approve and sign off the final accounts for issue upon receipt of the final audit report; and
- c. endorse the findings in the Draft Audit Results Report for the year ended 31 March 2023 from Ernst & Young LLP (Appendix 2 to Report 1).

3. Implications

- a. **Financial:** The Annual Accounts agree to the 2022/23 Budget Outturn reported to the Authority in June 2023.
- b. **Equalities:** None
- c. **Link to Business Plan:** Financial performance and budget management are an integral part of resourcing all aspects of the Business Plan and of maintaining an organisation that is fit for the future (Outcome 6 of the Business Plan).

4. Background

- a. Ernst & Young LLP are appointed independently by Public Sector Audit Appointments Ltd to audit the annual accounts and provide an overall assessment of the Authority's systems for delivering good value from its resources.
- b. The draft annual accounts were authorised for issue by Hazel Fitzsimmons, Chief Financial Officer on the 31 May 2023 and published on the Authority's website. The audit carried out by Ernst & Young LLP is substantially completed. The Draft Statement of Accounts 2022/23 are set out in Appendix 1 to Report 1.
- c. The draft annual accounts contain figures provided by our actuaries in relation to the Authority's pension liabilities. In order to gain reassurance on the statement of these liabilities, Ernst & Young require a report from the auditors of the Tyne and Wear Pension Fund. This has not yet been received and is expected towards the end of September.
- d. The detail of the draft accounts and an update from external auditors Ernst & Young were discussed at the Finance and Audit Group on 30 August 2023.

- e. The bottom-line outturn (an increase in the General Fund Balance of £472,900 shown on page 27 of the Financial Statements) is consistent with the surplus reported to the Authority at its June meeting.
- f. The Comprehensive Income and Expenditure Statement on page 26 of the Financial Statements gives a breakdown of Income and Expenditure by service heading. In accordance with the CIPFA code of practice, Management and Administration costs are included under the 'Corporate Management and Administration' heading and are not allocated across service areas in the Financial Statements.
- g. The Authority's land and buildings are valued on a five-year cycle, with the exception of The Sill which is required to be valued annually. As at 31 March 2023, The Sill was valued at £8,855,000. This was £655,000 higher than the prior year's valuation of £8,200,000, and when the reversal of depreciation charged in the year is taken into account, a valuation gain of £997,600 arises. The site at Housesteads and Church House in Rothbury, were also valued in the year, realising gains of £121,300 and £25,900 respectively.
- h. The Annual accounts are extremely detailed and technical documents. Within them they contain valuable management information which all board members should consider as part of their oversight and governance role. The Authority receives financial results, including five-year comparatives which are included in graphical format at Appendix 3 to this report.
- i. The key financial analysis shows:
 - Income from other sources is lower than the Defra core grant for the fifth year running. This has been emphasised this year as a supplementary grant of £440,000 was received from Defra. In future years however, as the Defra Grant remains static and other income areas increase, the difference becomes less pronounced.
 - Gross income has increased by £438,000. This increase includes an increase in the Defra Grant of £380,000 and a decrease in external revenue grants of £202,000. There was an increase in sales, fees and charges of £217,000 which included increases in retail sales, café income, car park income and planning income. £30,000 was received in the year from the sale of Falstone Tea Rooms, and interest receivable increased by £11,000, as interest rates increased.
- j. Gross expenditure has increased overall by £290,000. The Authority's cost base has been impacted by high inflation and the LGA pay award.
- k. Useable Reserves have increased from £1.46M to £1.96M. This increase is made up of the outturn surplus of £473K, and the balance on the Capital Receipts reserve of £30k, made from the proceeds from the sale of the property at Falstone.
- l. In terms of the Authority's financial resilience the audited financial information shows a strong position:
 - Once Earmarked Reserves (including amounts to cover future budget requirements) are disregarded, the General Fund Balance is £1,208,300. This

amount is higher than is usually held, largely as a result of the late funding from Defra. The Authority agreed in June of this year, to increase the minimum reserve level from £350,000 to £500,000 in recognition of the increased risk within our budget plan. £82,000 will be used to support the medium-term budget and the balance of £448,300 (after agreed allocations of £178,000) has been included in a new Earmarked reserve for projects and investments.

- The pension position is an asset this year, as an increase in the assumed discount rate and reductions in the CPI and salary increase assumptions have resulted in a decrease in the liability of £7.39M. The pension balance remains a long-term item and, being based on actuarial forecasts, is sensitive to changes in assumptions.
 - The Authority's budgets have been well managed in the year, with a budget surplus reported to the June Authority meeting of £277,500. A prudent approach to budget management and overperformance in income generation in many areas has helped reduce the impact of inflation and the staff pay awards.
- m. Members of the Finance and Audit Group received the audit planning report from Ernst & Young LLP at their meeting on the 24 May 2023.
- n. Rob Jones, Audit Partner, of Ernst and Young LLP will present a summary of the audit findings to date (as reported in Appendix 2 to Report 1). The two findings to date are included in the draft audit report (pages 28 and 29) alongside our management response. The first finding is the difference in the valuation of The Sill and the report explains the reasons for that. The accounts have been adjusted to include the agreed revised valuation. The second finding is in relation to the threshold for the capitalisation of expenditure and we have agreed to discuss the appropriateness of the threshold at a meeting of the Finance and Audit Group ahead of the preparation of next year's Statement of Accounts. At this stage there are no other audit differences identified above the threshold and no uncorrected misstatements.

5. Conclusions

- a. In conclusion Members of the Authority are asked to endorse the audit findings to date and note the Statement of Accounts 2022/23, noting that the assurance letter from the auditors of the pension fund is outstanding as well as some final procedures, and delegate the Chairman and Chief Executive (National Park Officer) in consultation with the Chair of the Finance and Audit Group, to authorise and sign off the accounts for issue once the final audit report is received.

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