



Northumberland National Park Authority

# Statement of Accounts

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**For the year ended  
31<sup>st</sup> March 2012**

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## **Summary of the 2011/12 Financial Year**

### **Background**

The 2011/12 financial year was the year in which the Authority implemented the most significant changes for Northumberland National Park Authority since the organisation was established in 1997. In response to the need to implement a 33% reduction in core government funding by 2014 the Authority began implementing a financial plan which front-loaded most of the organisational change in 2011/12. By the 31<sup>st</sup> March 2012 the majority of the staff reductions, budget cuts and restructuring was completed. The Authority now operates with less staff than over 10 years ago with much reduced management, delivery and internal support capacity.

Implementation of the national review of National Park Authority governance was delayed during the year and the outcomes will not be known until 2012/13 at the earliest. Nevertheless, the Authority used the local consultation exercise on governance to review and revise its own governance structures to fit into the reduced internal capacity of the organisation whilst retaining effectiveness in key areas such as Development Management and Review / Scrutiny. The new governance arrangements were agreed in December 2011 for implementation on 1<sup>st</sup> April 2012.

The Authority remains ambitious and has established a new staff structure and budget plan to address its new priorities with the aim of achieving excellence in four key areas:

- Land Management;
- Rural development;
- The Sill Landscape Centre; and
- Engagement with young people through pathways to work and education.

### **Key Financial Movements in the Year**

In 2011/12 Gross Expenditure was down by £1.11 million (24%) due to a reduction in income of £386,000 and the results of front-loading the budget cuts and organisational change. (Refer to Note 8). However, the 2010/11 Gross Expenditure did include one-off provision costs of £389,000 for the 2011/12 restructuring exercise. The generation of additional income is proving problematic as in 2011/12 the visitor season was poor and income from the visitor centres and car parking was £20,400 lower than the previous year.

In overall terms the Authority's General Fund Balances increased by £430,000 due to the budget strategy reducing ongoing staff and other costs early in the budget plan in order to create an ongoing balanced budget. £477,000 was transferred to Earmarked General Fund Reserves to provide financing for future expenditure plans. In addition the Authority managed to deliver budget savings greater than anticipated.

The pension deficit has increased by £760,000 or 26% and at £3.67 million it remains a significant liability. The Authority is paying down this liability by:

- reducing the historical fixed liability across the next ten years with annual payments of £128,000pa; and
- reducing the variable debt on future pension liabilities (estimated at £1.63 million by the latest Actuarial Valuation, undertaken as at the 31<sup>st</sup> March 2010) by the Authority contributing 14.2% of staff salary costs or £192,000 pa into the pension fund based on actuarial advice.

As a result of the above financial movements in the year the Authority has modest total reserves of £403,000 – some £319,000 less than the previous year

## Key Achievements

### Overall Context

Significant reductions to staffing and financial resources, both within the Authority and within many of our partners, has resulted in completed delivery of only two thirds of the planned action in the 2011/12 Corporate Plan. This represents a significant drop in the level of activity the Authority has been achieving over a number of years. The Authority's capacity to deliver has been significantly reduced, perhaps even more so through the period of change in 2011/12.

Analysis of our overall performance continues to demonstrate a good overall performance, with good performance outweighing poor performance by a ratio of 4:1.

### Specific Achievements

- Successful submission of a funding bid for 'The Sill' Wild Landscape Centre;
- 26% reduction in our carbon footprint in the year and a 39% reduction since the baseline year of 2008/09;
- High overall visitor satisfaction with Northumberland National Park's services;
- Steady progress in improving the rights of way network by targeting preventative maintenance resulting in usability increasing to 74% from 53% in 2008;
- Volunteering rose 31% driven by successful initiatives with young people and black and minority ethnic communities;
- 72% of farmed land is covered by environmental agreements;
- Assisted by extra volunteer activity, 22 monuments have been removed from 'at risk' reducing the percentage 'at risk' in the National Park from 56% to 50%; and
- Good levels of performance were maintained with the development management service.

## Areas where we under-performed

- There was a 26% drop in actual number of visitors to the National Park Centres compared to the 5 year average;
- Improvements to the visitor offer at key villages were not progressed as planned;
- Electronic communication targets were not met in areas including rural broadband, the website and our Facebook site;
- In corporate communication fewer e-zines, position statements and case studies of good practice were produced than planned; and
- Spend through the Sustainable Development Fund was low, with only 33% of the budget available being spent in year despite the budget being almost fully committed to projects.
- The number of grants offered to communities was down to 51 from 93 the previous year.

## Areas where we progressed well in unforeseen work:

- Leading a partnership to develop and submit a bid to government for a Nature Improvement Area;
- Working with the Yorkshire Dales National Park Authority, Nidderdale and North Pennines Areas of Outstanding Natural Beauty to scope options for a new Local Nature Partnership; and
- Working with Northumberland County Council and other partners to secure the future of tourism destination management in Northumberland.

## Change Management and Human Resources

One in four of the Authority's staff left the Authority's employment in 2011/12. Whilst this has resulted in a significant decrease in the proportion of Defra grant used for staff costs, it has resulted in the loss of significant capacity and skills. As a result we are now a very different staff team and are required to work in very different ways. The Authority has a new and much reduced management team, and many staff within the Authority have been asked to perform in newer and wider roles. Staff morale has clearly suffered as colleagues have left the Authority. However, the way in which staff have, and are continuing to, cope in these difficult circumstances is, in my view, humbling and a significant credit to this Authority.

It is clear we still have much to achieve to become the enabling Authority we envisage. However, I believe we have laid solid foundations with many positive approaches already emerging.

**Tony Gates, Chief Executive (National Park Officer)**

## **Explanatory Foreword**

### **INFORMATION AND FINANCIAL STATEMENTS**

The purpose of this foreword is to provide a clear and understandable guide to the most significant matters reported in the financial statements.

#### **Comprehensive Income and Expenditure Statement**

This statement summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It also brings together all the gains and losses of the Authority for the year and shows the aggregate increase or decrease in net worth.

#### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance.

#### **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, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves 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'.

#### **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 grant income or from 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 towards the Authority's future service delivery.

#### **Statement of Accounting Policies**

Discloses the accounting policies used by the National Park Authority in compiling the financial statements.

#### **Notes to the Accounts**

Disclose more detailed information on the figures provided in the Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement.

## FINANCIAL POSITION

The Authority has modest resources but large national expectations. It seeks to maintain, and has maintained, its General Fund at a sufficient level to finance working capital and to provide contingency against unexpected events.

The Authority is dependent on funding (the "National Park Grant") from the Department for the Environment Farming and Rural Affairs (DEFRA) which, at £3.1 million, amounted to 82% of its income in 2011/12. The "National Park Grant" will reduce by 33% by 2014 as a result of the overall government funding cuts.

The majority of the Authority's expenditure is on salaries and staff-related expenditure, which amounted to £2.28 million in 2011/12. Funds for many programmes and services continue to be dependent on income generation.

The deficit on the Authority's pension fund has increased by £760,000 to £3.67 million. The Authority's balance sheet remains in a positive position ie the assets of the Authority are valued higher than its liabilities. The deficit on the pension fund is a significant liability however the Pension Reserve is a non cash reserve which reflects a long term issue to be resolved in all public sector organisations. The Authority has positive balances on the General Fund.

## Income and Expenditure

The increase in general fund and earmarked general fund balances for the year was £430,300 compared to a £309,700 decrease in 2010/11.

The Net Cost of Services increased by £233,000 to £2.41 million. However, the extraordinary credit of £1.38 million against gross expenditure required by IAS 19 in 2010/11, mainly as a result of the negative past service cost arising from the government enforced change in pension index to Consumer Price Index rather than Retail Price Index, distorts the underlying year-on-year variance.

The Cost of Services Gross Expenditure decreased year-on-year by £164,200 on the face of the Comprehensive Income and Expenditure Statement, however if you discount the difference in IAS19 adjustments of £1.05 million, the decrease in expenditure is approximately £1.2million. The reasons of note contributing to this were:

- £379,000 due to a reduction in restructuring/ redundancy costs, whereby the majority of the costs were recognised in 2010/11;
- £199,000 reduction in staff related expenditure due to the reduction in staff and the expansion of the pool vehicle fleet, reducing mileage costs;
- £339,000 due to the ending of two significant projects during 2010/11 (Traditional Boundaries Traditional Skills and Upland Farming Traineeship) which were majority externally funded;
- £101,000 from a reduction in grants payable to local businesses and community groups through the Sustainable Development and Action Area funds, partly attributable to a lack of relevant match funding available and partly due to reduction in Officer capacity; and
- General reductions across all service areas due to the ongoing requirement to reduce costs, in order to balance the long term budget, as a result of the overall government funding cuts.

The Cost of Services Gross Income decreased year-on-year by £397,400. The principal movements being:

- £283,000 less income due to the completion of the Traditional Boundaries Traditional Skills and Upland Farming Traineeship externally funded projects, during 2010/11;
- £217,500 less income against the cost of services income due to the Sustainable Development Fund no longer being ring-fenced from 1<sup>st</sup> April 2011 and instead being included as part of the reduced National Park Grant.

- £181,500 additional one-off funding from DEFRA's Modernisation Fund, to cover the costs of redundancy due to departures in 2011/12 (but provided for in 2010/11), less salary related savings from employees leaving dates until the 31<sup>st</sup> March 2012.

The budgeted reduction in General Fund Balances for 2011/12 was £163,900. The actual increase was £430,300 – a variance of £594,200. £303,800 of unspent budget will be carried forward into the 2012/13 budget. The carry forward figure includes the following material balances:

- £38,000 to expand the size of the car park at Housesteads to maximise the income potential from this site;
- £75,000 of Sustainable Development Fund expenditure;
- £35,000 to undertake necessary works at the head office, as determined by the needs of any future lessee, subject to a cost benefit analysis of making such alterations; and
- £99,000 to complete one-off investment projects to fulfil the aims and objectives as set out in the Medium Term Business Plan 2010/11 – 2012/13.

The Authority were informed of the forecast underspend of £100,000 in time for this to be taken into account as spare resource when setting the 2012/13 to 2014/15 three year budget plan. The unplanned net underspend was £190,400, equivalent to 4.5% of budgeted expenditure.

Variances of note in the overall underspend of £290,400 returning to unallocated general fund balances as at the 31<sup>st</sup> March 2012 include:

- £65,000 due to further efficiencies over and above the budget cut estimates;
- £21,100 additional income to budget (mainly speculative and bank interest);
- £18,400 of underspend due to external factors (such as the cessation of mapping charges and reductions in audit fees via the Audit Commission);
- £52,400 business plan funds not required in light of reduced Officer capacity;
- £90,100 projects. Significant variances in this area include: £45,000 one off return of Sustainable Development Funds; £11,400 underspend on the Audience Engagement project; £14,100 underspend on action areas; and £12,500 not required for Rural Broadband due to the project it complemented not receiving approval from Leader.
- £48,000 (overspend) from under-recovery against budget of Car Park income £12,500 and Visitor Centre trading £12,300 and the under-recovery of rental income targets £23,200 (£20,000 of which relates to the delay in part leasing Eastburn).

## Capital

The Authority agreed to allocate £34,301 of remaining capital receipts available at the 1<sup>st</sup> April 2011 to part fund the replacement of the roof at the Coquetdale Centre which was damaged by the severe winter weather conditions. Solar Photovoltaic Panels were also installed. The cost of the work capitalised in 2011/12 was £115,864 with the balance being funded by revenue. The project was completed in April 2012 with additional costs chargeable to 2012/13 estimated as £19,700. This will also be funded from revenue.

Further detail on revenue items transferred to Long Term assets, due to the criteria for capitalisation being met, are detailed in notes 23 and 24 to the accounts.

## Statement of Responsibilities for the Statement of Accounts

### Responsibilities of the National Park Authority

The National Park 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;
- ensure financial management is adequate and effective and there is a sound system of internal control which secures economic, efficient and effective use of its resources and safeguard its assets includes arrangements for the management of risk;
- annually review the system of internal control; and
- approve the audited Statement of Accounts.

### Responsibilities of the Chief Financial Officer

At the Northumberland National Park Authority, the responsibility for the administration of its financial affairs lies with the Chief Financial Officer. The role of Chief Financial Officer (as specified in Section 151 of the Local Government Act 1972 and paragraph 13(6) of Schedule 7 (National Park Authorities) to the Environment Act 1995) is undertaken by a suitably qualified member of staff.

The Chief Financial Officer is responsible for the preparation of the National Park Authority's statement of accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain (the "Code of Practice"), is required to present a true and fair financial position of the National Park Authority at the 31st March 2012 and its income and expenditure for the year.

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice and the National Parks Financial Memorandum.

The Chief Financial Officer has also:

- kept proper accounting records which are up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

### Statement by the Chief Financial Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of Northumberland National Park Authority as at 31<sup>st</sup> March 2012 and its income and expenditure for the year then ended.

..... Chief Financial Officer

..... Date

## Annual Governance Statement

### Introduction

Northumberland National Park Authority is required to undertake proper practices in relation to its accounts as defined by the Accounts and Audit (England) Regulations 2011. Thus an Annual Governance Statement is required for the year ending 31st March 2012. This needs to be produced alongside the Annual Accounts.

### Scope

The Authority is responsible for ensuring its business is conducted in accordance with statutory standards and professional guidance and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Local Government Act 1999 places a statutory responsibility on the Authority to secure continuous improvement in the way its functions are delivered. Therefore the Authority is responsible for ensuring a sound system of internal control is in place to facilitate the delivery of its functions and make arrangements to manage the risk.

### The Purpose of the Annual Governance Statement

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims 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. Risk is managed against the framework and risk appetite set by the Authority.

The system of internal control has been in place for the year ended 31st March 2012 and up to the date of approval of the annual report and accounts and accords with proper practice.

### The Internal Control Environment

#### *Establishing and monitoring the achievement of the Authority's objectives*

#### **Medium Term Vision and 5 Year Framework**

The Authority has a hierarchy of plans, headed by a statutory National Park Management Plan which sets a framework for its work for the next 10 years, with a planned review after 5 years. Key strategic aims are set as part of the National Park Management Plan following wide consultation with the local community, partners and stakeholders. The strategic aims are cascaded into outcomes and objectives for the next 5 years.

The National Park Management Plan is a plan for the National Park to be delivered by all public bodies, partners and the National Park Authority. The work programme to deliver the National Park Management Plan is determined by a partnership, consisting of key public bodies and other stakeholders operating in the National Park. The **National Park Management Plan Partnership** annually agrees a **National Park Management Plan Annual Action Plan**.

A review of the National Park Management Plan commenced in March 2008 and a new Management Plan was adopted in June 2009. This has set a framework of detailed work planning to 2014.

#### **3 Year Business Plan**

A 3-year **Business Plan** is used to set out the National Park Authority's work programmes to deliver its part of the National Park Management Plan on a rolling three year basis.

The National Park Management Plan's strategic aims are key to determining the prioritisation of resources which informs the medium term Business Plan and associated budget plan. The Authority approved its first Three Year Business Plan in March 2010. This was revised in November 2011 as a result of the need to make cuts in response to Defra's decisions to cut core funding by 33% in real terms by 2014. Ordinarily the Business Plan is updated each year.

### **Corporate Plan (Annual Work Programme)**

The **Corporate Plan** is prepared annually in concert with budget planning. It sets out the detailed annual work programme to deliver the Business Plan. These actions are then cascaded into departmental work programmes and individual staff work plans.

### **Agreeing Priorities**

Not everything within the National Park Management Plan is deliverable with available resources. Strategic priority setting is undertaken by the Authority every three years and was carried out in 2009 for the period 2010/11 to 2012/13. This was undertaken again in 2010 in response to the Defra cut of 33% in core grant to the National Park Authority. These revised priorities have been used to set the four year budget plan to 2014/15.

### ***Policy and decision making***

All policy is made by the Authority. The development of policy is assisted by regular member policy conferences and is supported and informed by task and finish groups of members, staff and partners. Detailed policy is developed within the departments and this work is always sponsored by a Head of Department or the Chief Executive. All policy decisions are therefore recorded in official and publicly available minutes.

Decision making is regulated by the Authority's Standing Orders, Scheme of Delegation, Financial Procedures and member and officer Codes of Conduct. The Authority reviewed its internal governance arrangements in 2011. From 1<sup>st</sup> April 2012 new and more streamlined arrangements were implemented including revised Standing Orders, more enabling Scheme of Delegation and revised Financial Procedures. The aim being to create more fleet of foot processes for a much reduced number of managers to operate.

In 2011/12 Northumberland National Park Authority operated the national Member Code of Conduct through a Standards Committee chaired by an independent member. In response to the Localism Act 2011, the Authority will establish its own Member Code of Conduct ensuring it is tailored to the statutory duties of national park authorities and is appropriate to the needs of the Authority. In addition the Authority will appoint an independent member to assist in implementing the new Member Code of Conduct.

The decision-making process benefits from high level legal and financial advice via the Chief Financial Officer and Monitoring Officer. The executive ensures that the Authority has access to professional services from within and outside the staffing structure to provide specialist policy and legislative advice in key areas such as finance, human resources, health and safety, property and estates, development management, forward planning, historic buildings, ecology, archaeology and recreational access.

### ***Identifying, assessing and monitoring risks***

The Authority manages risk through the annual **Strategic Risk Register**, which identifies areas of highest strategic risks. Risk management activity is incorporated, via the Corporate Plan, into work programmes including priority actions for senior managers. In addition the Authority has separate programmes to address health and safety; local resilience and business continuity; and equality.

Internal Audit is focussed on corporate risk and systems of control. This is high level advice which is in part influenced by the overall assurance framework but also takes account of the key control systems which underpin an efficient and effective organisation e.g. corporate governance and budgetary control. The work programme for internal audit is set by the Authority and the Chairman of Review.

New work, including a portfolio of externally funded projects, is developed using a nationally recognised project management model. Trained staff use these processes to ensure risk is identified at the outset and that all new work is in line with the Authority's stated priorities.

Members routinely scrutinise work. Their model is a nationally commended review process which includes enlisting the active participation of external partners. This process provides a programme of high support and high challenge.

### ***Continuous Improvement : Ensuring economical, effective and efficient use of resources***

#### **Improvement Planning**

The National Park Authority Performance Assessment November 2010 (NPAPA) found Northumberland had no areas of weakness and had become a high performing national park authority with two of its service areas identified as exemplary:

1. The quality of vision and the plans to deliver the vision; and
2. Achieving wider sustainable development.

Four areas of our work were considered to be delivering to a very high standard with only one area found to be delivering to an adequate standard, namely promoting opportunities for understanding and enjoyment of the special qualities by the public. The Assessment considered that this can be improved by a better focus and clarity of aims including improving partnership working, better use of performance information to drive forward service standards in this area and by focusing on creating new easy to use access routes in key locations across the National Park.

In December 2010 the Authority adopted an **Improvement Plan** based on the findings of NPAPA. This contained 12 priority actions for improvement. To date a number of these improvements have been completed with remaining actions having been scheduled into the Corporate Plan for 2012/13.

In 2011/12 significant progress was achieved in 6 of the 12 priority actions namely:

- clarifying the Authority's position on delivery of second purpose activities;
- clarifying the Authority's stance on tourism delivery;
- an increase in emphasis in working with the voluntary sector, including volunteers;
- implementation of an asset rationalisation plan;
- completion and implementation of an internal governance review; and
- clarifying which priorities will not be delivered in the revised Business Plan.

In 2012/13 the Authority will be delivering further ongoing improvement by:

- refreshing the Partnership Engagement Plan and Management Plan Partnership;
- reviewing its 'Action Area' working and communicating the impact and benefits to communities and residents;
- surveying and monitoring priority habitats to allow effective future resource targeting;
- initiating an eco-system services audit to help communicate the value of the National Park as an asset;
- completing an audit of staff skills to ensure staff are able to fully contribute; and
- exploring income generating initiatives for the Authority.

### **Efficiency**

The Authority routinely market-tests many of its services including property services, legal services and internal audit. The Authority's purchasing strategy is being used to drive improved services where the essential criterion is based on gaining best value and not just lowest cost service provision. In 2011/12 all bought-in professional services were market tested. The result will be annual savings in excess of £20,000 and access to an enhanced level and improved quality of services.

Staffing is a significant resource for the Authority, amounting to over 50% of the annual budget. The Authority aims to continually develop its staff and has been recognised as an Investor in People for over 10 years now. Following significant organisational change a new strategy for Human Resources will be set in late 2012 to replace the current strategy set in 2008 when the financial outlook was significantly different.

The Authority achieves many of its objectives working with others in the private, public and voluntary sectors. An ever increasing amount of fieldwork is undertaken in partnership with community and voluntary groups. It is encouraging that despite contracting budgets some of our key partners in delivering the National Park Management Plan Annual Action Plan are committing their organisations to deliver more activities, not less. Sharing of costs and pooling of resources through partnership working has ensured exceptionally good value for money in areas such as web development, tourism marketing, sustainable transport and projects to mitigate climate change.

### ***Financial management***

The Authority's financial management arrangements conform to the majority of the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010. The notable exception being the Chief Financial Officer does not report directly to the Chief Executive and is not a member of the Leadership Team. In the current staffing structure the Chief Financial Officer reports to the Head of Corporate Services and Monitoring Officer. The Chief Financial Officer reports directly to the full Authority on significant financial matters including treasury management, financial performance and audit work. Being a small Authority this is deemed the most efficient and effective structure, the Chief Financial Officer does however have access to the Chief Executive and members as and when required in order to perform the role.

The roles and responsibilities of the Chief Financial Officer and the Head of Corporate Services and Monitoring Officer are set out in the Financial Regulations as adopted by the Authority.

Responsibility for each of the budget heads and projects is given to the Heads of Department, line managers and other staff. All financial areas are audited through a rotational plan. All significant externally funded projects are audited. In addition to audit, the Authority has undertaken full scale value for money reviews in high financial risk areas such as property and estates. Annual trading accounts are produced to monitor the effectiveness of the sales operation and the car park charging scheme.

A modern, easy to use, financial monitoring system is accessible by all accountable staff on their desktops, laptops and for remote working. The Leadership Team reviews the budget quarterly with key issues being reported to members. All managers are required to keep up to date with their budget and project performance management and report on this on a monthly basis. The Authority receives annual and quarterly financial reports. Key targets and areas of high corporate risk are regularly reported to the Authority alongside performance of projects.

### ***Performance management***

Performance management is applied in a consistent way across the Authority. Key performance indicators, which are a mix of measures of activity, processes, outputs and outcomes are in place for the whole of the Authority's work. These key performance indicators are scrutinised half-yearly by the Authority's review function, with areas of under-performance identified for action by management.

Projects and other key areas of work are examined quarterly by the Leadership Team with significant issues being reported to the Authority. Heads of Department have regular meetings with their managers to progress more detailed areas of work, where lessons learned and activities to correct performance variations are discussed, agreed and implemented.

The Authority receives an annual review of performance and ensures current year's targets are based on previous year's performance. The annual review of performance by the Authority provides a regular check as to how far the annual work programme has contributed to the delivery of the 10-yearly vision as set out in the statutory National Park Management Plan. Performance is publicly reported including through publication of an Annual Report, the Authority's website and an annual public meeting known as the "National Park Forum".

In addition, the Authority produces a **State of the Park Monitoring Report** which provides high level outcome measures to further inform progress on the overall 'state of health' of the National Park and reflects changes and challenges in the economic, social and environmental setting facing Northumberland National Park.

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

Annually External Audit provide a management letter to the Authority by 30<sup>th</sup> September. Recommendations within the letter are considered by the Authority and the Leadership Team with an action plan produced to address any areas of weakness. The delivery of the action plan is scrutinised by the Authority's review process to ensure good progress is made. The Authority's review process and the Chairman of Review therefore combine to provide an audit committee / overview role. Executive action is taken by the Chief Executive and corporate issues raised are discussed and action-planned by the Leadership Team.

The Authority sets the system of internal control on an annual basis. An annual update report is received from internal auditors RSM Tenon for the three year internal audit programme.

### ***Significant Internal Control Issues***

The National Park Authority Performance Assessment provided an independent high-level review of the Authority's overall effectiveness. This is supplemented by annual Investors in People assessment and consultancy reviews.

Internal Audit reported on the following areas in 2011/12:

- Relationships with key partners;
- Human Resource Policies, Procedures and Payroll; and
- Financial Planning and Budgetary Control.

The internal auditors concluded the Authority has positive levels of assurance in terms of **Governance, Risk Management** and **Control**. In detail, as a result of these audits and a follow-up audit of previous recommendations:

- 10 recommendations were categorised as low priority;
- 2 recommendations were categorised as medium priority; and for the second year
- 0 recommendations were made in the high priority category.

No issues were identified which would have a negative impact upon the internal auditors' annual opinion.

**This provides a high level of reassurance for board members and the management of the Authority.**

..... Chief Executive

..... Deputy Chairman

## **Independent Auditor's Report to the Members of Northumberland National Park Authority**

### **Opinion on the Authority financial statements**

We have audited the financial statements of Northumberland National Park Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Northumberland National Park Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' 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, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Finance Manager and auditor**

As explained more fully in the Statement of Responsibilities, the Finance Manager (the Chief Financial 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. We read all the financial and non-financial information in the Summary of the 2011/12 Financial Year and the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Northumberland National Park Authority as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In our opinion, the information given in the Summary of the 2011/12 Financial Year and the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Other matters on which we are required to conclude**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

### **Certificate**

We certify that we have concluded the audit of the accounts of Northumberland National Park Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Celia Craig (Engagement Lead)  
For and on behalf of Deloitte LLP

Newcastle upon Tyne, United Kingdom

12<sup>th</sup> September 2012

## Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2012

2010/11				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
484,262	(168,749)	315,513	Conservation of Natural Environment	283,119	(41,404)	241,715
399,916	(164,945)	234,971	Conservation of Cultural Heritage	87,258	(52,905)	34,353
293,353	(197,086)	96,267	Recreation Management and Transport	215,658	(152,378)	63,280
680,948	(74,678)	606,270	Promoting Understanding	712,540	(82,401)	630,139
463,422	(25)	463,397	Rangers, Estates and Volunteers	498,481	(31,391)	467,090
107,406	(15,530)	91,876	Development Control	173,943	(17,955)	155,988
530,732	(422,358)	108,374	Forward Planning and Communities	765,785	(226,655)	539,130
274,628	(18,247)	256,381	Corporate Management and Administration	333,690	(59,175)	274,515
<b>3,234,667</b>	<b>(1,061,618)</b>	<b>2,173,049</b>	<b>Cost of Services</b>	<b>3,070,474</b>	<b>(664,264)</b>	<b>2,406,210</b>
13,352	(20,000)	(6,648)	Other operating income and expenditure (Note 4)	0	0	0
120,000	(29,060)	90,940	Financing and investment income and expenditure (Note 5)	20,000	(40,271)	(20,271)
0	(3,114,903)	(3,114,903)	Non specific grant income (Note 6)	0	(3,136,744)	(3,136,744)
		(857,562)	<b>Surplus on Provision of services</b>			(750,805)
		(760,000)	Actuarial (gains)/ losses on Pension Fund assets and liabilities (Note 19)			1,070,000
		<b>(760,000)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>1,070,000</b>
		<b>(1,617,562)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>319,195</b>

The above Comprehensive Income and Expenditure Account shows a true and fair view of the income and expenditure of the Authority for the year ended 31st March 2012.

The accounting policies and notes on pages 22 to 53 form an integral part of these financial statements.

..... Chief Financial Officer

..... Date

**Movement in Reserves Statement for the Year Ended 31st March 2012**

	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	£	£	£	£	£	£
<b>Balance as at 31 March 2010</b>	<b>1,732,307</b>	<b>0</b>	<b>14,301</b>	<b>1,746,608</b>	<b>(2,642,188)</b>	<b>(895,580)</b>
<b>Movement in Reserves during 2010/11</b>						
Surplus on the provision of services	857,562	0	0	857,562	0	857,562
Other comprehensive income and expenditure (Note 19)	0	0	0	0	760,000	760,000
<b>Total comprehensive income and expenditure</b>	<b>857,562</b>	<b>0</b>	<b>0</b>	<b>857,562</b>	<b>760,000</b>	<b>1,617,562</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,167,306)	0	20,000	(1,147,306)	1,147,306	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(309,744)</b>	<b>0</b>	<b>20,000</b>	<b>(289,744)</b>	<b>1,907,306</b>	<b>1,617,562</b>
Transfers to/ from Earmarked Reserves (note 10)	0	0	0	0	0	0
<b>Increase/ (Decrease) in 2010/11</b>	<b>(309,744)</b>	<b>0</b>	<b>20,000</b>	<b>(289,744)</b>	<b>1,907,306</b>	<b>1,617,562</b>
<b>Balance as at 31 March 2011</b>	<b>1,422,563</b>	<b>0</b>	<b>34,301</b>	<b>1,456,864</b>	<b>(734,882)</b>	<b>721,982</b>
<b>Movement in Reserves during 2011/12</b>						
Surplus on the provision of services	750,805	0	0	750,805	0	750,805
Other comprehensive income and expenditure (Note 19)	0	0	0	0	(1,070,000)	(1,070,000)
<b>Total comprehensive income and expenditure</b>	<b>750,805</b>	<b>0</b>	<b>0</b>	<b>750,805</b>	<b>(1,070,000)</b>	<b>(319,195)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(320,487)	0	(34,301)	(354,788)	354,788	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>430,318</b>	<b>0</b>	<b>(34,301)</b>	<b>396,017</b>	<b>(715,212)</b>	<b>(319,195)</b>
Transfers to/ from Earmarked Reserves (note 10)	(477,000)	477,000	0	0	0	0
<b>Increase/ (Decrease) in 2011/12</b>	<b>(46,682)</b>	<b>477,000</b>	<b>(34,301)</b>	<b>396,017</b>	<b>(715,212)</b>	<b>(319,195)</b>
<b>Balance as at 31 March 2012</b>	<b>1,375,881</b>	<b>477,000</b>	<b>0</b>	<b>1,852,881</b>	<b>(1,450,094)</b>	<b>402,787</b>

The accounting policies and notes on pages 22 to 53 form an integral part of these financial statements.

**Balance Sheet as at 31st March 2012**

31 March 2011		Note	31 March 2012
£			£
2,233,369	Property, Plant and Equipment	23.	2,255,958
-	Intangible Assets	24.	13,400
<b>2,233,369</b>	<b>Long Term Assets</b>		<b>2,269,358</b>
20,773	Inventories	26.	16,317
181,506	Short Term Debtors	27.	255,037
1,203,799	Cash and Cash Equivalents	28.	893,381
750,000	Short Term Investments	31.	1,000,000
<b>2,156,078</b>	<b>Current Assets</b>		<b>2,164,735</b>
(354,453)	Short Term Creditors	29.	(308,744)
(389,262)	Provision	30.	(38,812)
<b>(743,715)</b>	<b>Current Liabilities</b>		<b>(347,556)</b>
(13,750)	Donated Assets Account	23.	(13,750)
(2,910,000)	Pensions Liability	19.	(3,670,000)
<b>(2,923,750)</b>	<b>Long Term Liabilities</b>		<b>(3,683,750)</b>
<b>721,982</b>	<b>Net Assets / (Liabilities)</b>		<b>402,787</b>
1,456,864	Usable reserves	10/11.	1,852,881
(734,882)	Unusable reserves	12.	(1,450,094)
<b>721,982</b>	<b>Total Reserves</b>		<b>402,787</b>

The above Balance Sheet presents a true and fair financial position of the Authority as at 31st March 2012.

The accounting policies and notes on pages 22 to 53 form an integral part of these financial statements.

..... Chief Financial Officer

..... Date

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**Cash Flow Statement for the Year Ended 31st March 2012**

<b>2010/11</b>		<b>2011/12</b>
£		£
(857,562)	Net (surplus) on the provision of services	(750,805)
581,149	Adjustments to net surplus on the provision of services for non-cash movements (Note 13)	653,821
20,000	Adjustments for items included in the net surplus or deficit on the provision of services that are investing activities	6,976
<u>(256,413)</u>	Net cash flows from Operating Activities (Note 14)	<u>(90,008)</u>
817,690	Investing Activities (Note 15)	400,426
<u>561,277</u>	Net decrease in cash and cash equivalents	<u>310,418</u>
<u>1,765,076</u>	Cash and cash equivalents at the beginning of the reporting period	<u>1,203,799</u>
<u>1,203,799</u>	<b>Cash and cash equivalents at the end of the reporting period (Note 28)</b>	<u>893,381</u>

The accounting policies and notes on pages 22 to 53 form an integral part of these financial statements.

## Statement of Accounting Policies

### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

### Property, Plant and Equipment

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the Statement of Accounts. Expenditure on Property, Plant and Equipment is capitalised, provided that the Property, Plant and Equipment yields benefits extending over more than one year to the Authority and is greater in value than £10,000. This excludes expenditure on routine repairs and maintenance of Property, Plant and Equipment which is charged direct to the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Property, Plant and Equipment are classified into the following groups, as required by the Code of Practice:

- Property, plant and equipment - included in the Balance Sheet at the lower of net current replacement cost and net realisable value in their existing use.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement,

### Depreciation

Annual depreciation is calculated on a straight-line basis as valuation or cost less residual value, divided by the estimated useful life of the asset. The useful lives of buildings vary and are based on details advised by independent valuers. Equipment useful lives range from 5 – 10 years depending on the type of asset. The charge is time-apportioned in the year of acquisition.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indication 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); or
- 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.

### **Third Party Capital Expenditure**

Grants made to third parties to fund expenditure of a capital nature (e.g. sheds, walls, etc.) are immediately written off to the Comprehensive Income and Expenditure Statement if no lasting benefit will accrue to the National Park Authority. Any external grants received to finance this expenditure are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software programmes) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Heritage Assets**

Heritage assets are non-current assets that are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are measured at valuation where available and the asset is recognised within the Balance Sheet. Valuations are reviewed with sufficient frequency to ensure measurement remains current.

Where heritage assets are held within the Balance Sheet, the carrying amounts will be reviewed where there is evidence of impairment i.e. where an item has suffered physical deterioration or breakage or where doubts arise to authenticity. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The acquisition or disposal of a Heritage Asset would require the approval of the Authority, if the criteria for capitalisation was met (i.e. it yields benefits extending over more than one year to the Authority and is greater in value than £10,000). In any other instance the approval of the Leadership Team or the relevant Head of Department would be necessary.

Records in relation to the leases themselves are held in the estates database and the Archaeologist holds separate records regarding the condition of the assets and planned routine maintenance.

If it is agreed to dispose of any heritage assets the proceeds are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements for capital receipts.

Heritage Assets are not subject to depreciation as they are considered to have indefinite lives.

The Authority does not currently have any heritage assets held within the Balance Sheet.

Where the Authority considers that obtaining full valuations for assets would involve a disproportionate cost in comparison to the benefits to the users of the financial statements the asset is not recognised in the balance sheet, but included in the accounts as a disclosure.

### **Stock**

Stock for re-sale, held at Eastburn and the visitor centres, has been valued at the lower of cost and net realisable value. In general, obsolete and slow-moving items are written-off against the value of stock shown in the Balance Sheet.

### **Debtors and Creditors**

The revenue and capital accounts of the Authority are, in general, maintained on an accruals basis in accordance with International Reporting Standard (IAS) 18. The accounts reflect sums due to or incurred by the Authority during the year whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for creditors and debtors at 31st March 2012.

### **Provision for Doubtful Debts**

The Authority will recognise and account for bad debt in the financial year that it is recognised that the debt, after all cost-effective methods to recover it have failed, will not be fulfilled. As a result of this policy no provision for doubtful debts is separately maintained.

### **Charges to Revenue**

The Authority has not financed any capital by borrowing and as a result there is no interest charged to revenue.

### **Overheads**

Costs of management and administration have been re-allocated to the other cost headings within the accounts, leaving only corporate management and related costs reported under the heading "Corporate Management and Administration".

### **Cash and Cash Equivalents**

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.

### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The provision included in the current Statement of Accounts relates to restructuring costs.

Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards, incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Northumberland National Park Authority has entered into finance leases for property and the net book value of these are included in the land and buildings element of property, plant and equipment section of the balance sheet. There is no corresponding liability under finance leases as the lease payments due are nil or peppercorn. Equipment leases entered into are operating leases, and in these cases the rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease term.

### **Capital Receipts**

Amounts receivable from the disposal of Property, Plant and Equipment are credited to the Capital Receipts Reserve on an accruals basis.

### **Grants and Revenue Recognition**

Revenue grants and other contributions are accounted for on an accruals basis and recognised in the financial statements when the conditions for their receipt have been complied with and there is a reasonable assurance that the grant or contribution will be received. Other income is recognised on an accruals basis.

Capital grants that have been received for the acquisition of Property, Plant and Equipment are accounted for on an accruals basis and credited to the Comprehensive Income and Expenditure Statement when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. The grant is then transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.

### **Reserves**

The Revaluation Reserve records the accumulated gains on Property, Plant and Equipment held by the Authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of Property, Plant and Equipment carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

### **Pensions**

The pension liabilities of the Authority are accounted for using International Accounting Standard (IAS) 19 “Employee Benefits” principles. Employees, subject to certain qualifying criteria, are eligible to join the Northumberland County Council Pension Fund, administered by Northumberland County Council, which provided members with defined benefits related to pay and service.

The Authority has complied with the requirements of IAS19, and in particular:

- The assets are measured at fair value;
- The attributable liabilities of the scheme are measured on an actuarial basis;
- The scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability;

- The deficit in the scheme is the shortfall of the value of assets over the present value of liabilities;
- The current service cost is based on the most recent actuarial valuation at the beginning of the period;
- The interest cost is based on the discount rate and present value of liabilities at the beginning of the period;
- Actuarial gains and losses may arise from a new valuation or updates to the latest valuation;
- Past service costs are disclosed on a straight-line basis over the period the increased benefits vest;
- Gains/losses arising on settlement or curtailment are measured at the date all parties become irrevocably committed to the transaction.

### **Events After the Reporting Period**

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 the event and their estimated financial effect.

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

### **Financial Instruments**

Financial Instruments are formally defined within the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term financial instrument covers both financial assets and financial liabilities and covers the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

The accounting treatment of a financial instrument depends on its classification on initial recognition.

There are two classes of financial liabilities and two classes of financial assets:

- Financial Liabilities - amortised cost and fair value through profit or loss; and
- Financial Assets - loans and receivables (e.g. short term investments); and available-for-sale assets

Receivables are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The accounting policies for financial instruments (see note 31) have been applied in full.

### **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## Notes to the Accounts

### 1. Critical Judgements in Applying Accounting Policy

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

- There is a degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

### 2. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Buildings	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	<p>If the useful life of the asset is reduced, depreciation charges will increase and the carrying amount of the asset will fall.</p> <p>It is estimated that the annual depreciation charge for buildings will increase by £8k for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	<p>The effects on the net pensions liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £1.07M.</p> <p>However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £0.05M as a result of estimates being corrected as a result of experience and increased by £0.85M attributable to updating of the assumptions.</p>

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

#### Financial Instruments: Impact of the adoption of the new standard on the 2011/12 financial statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in the accounting policy in relation to the treatment of IFRS 7 Financial Instruments: Disclosures (transfers of Financial Assets), which will need to be adopted fully by the Authority in the 2012/13 financial statements.

It replaces the previous requirements with detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets. Such transfers are not common transactions for local authorities and the Authority has not entered into any transactions covered by the changes in the 2011/12 financial year.

The 2012/13 Code states that the change in practice around Financial Instruments does not require a restated (third) balance sheet for the start of the earliest comparable period in the 2012/13 Statement of Accounts.

#### Changes from the 2011/12 Code

The 2011/12 Code adopts the requirements of FRS 30 *Heritage Assets*. Heritage assets are carried at valuation where possible, and additional disclosures are required. The Code also permits, but does not require, authorities to adopt the measurement and disclosure requirements within FRS 30 for community assets. These changes amount to changes in accounting policy that may require additional disclosures in both the 2011/12 and 2010/11 financial statements.

### 4. Other Operating expenditure

2010/11		2011/12
£		£
(6,648)	(Gains)/ losses on the disposal of non-current assets	-
<b>(6,648)</b>	<b>Total</b>	<b>-</b>

### 5. Financing and Investment income and expenditure

2010/11		2011/12
£		£
120,000	Pension interest cost and expected return on pensions assets	20,000
(29,060)	Interest receivable and similar income	(40,271)
<b>90,940</b>	<b>Total</b>	<b>(20,271)</b>

## 6. Non Specific Grant incomes

2010/11		2011/12
£		£
(3,111,334)	National Park Grant *	(3,133,337)
(3,569)	Capital Grants and contributions	(3,407)
<b>(3,114,903)</b>	<b>Total</b>	<b>(3,136,744)</b>

\* Northumberland National Park Authority receives its net budget, as approved by Parliament, from the Department of the Environment, Food and Rural Affairs.

## 7. Cost of Services income

2010/11		2011/12
£		£
(790,473)	External grants	(433,877)
(271,145)	Sales, fees and charges	(230,387)
<b>(1,061,618)</b>	<b>Total</b>	<b>(664,264)</b>

The National Park Authority also receives external grant aid and generates other income, such as car park charges and visitor centre sales.

The external grants figure in 2011/12 includes £181,528 from DEFRA's Modernisation Fund. This was specific funding to cover the costs of redundancy due to departures in 2011/12 (but provided for in 2010/11), less salary related savings from the point staff left up until the 31<sup>st</sup> March 2012. Thus easing the financial burden on Authority's downsizing to accommodate the reduction in core funding.

## 8. Segment Analysis

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SerCOP). This is the same basis used to make decisions about resource allocation, which are taken by the Full Authority. However these reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure whereas the Comprehensive Income and Expenditure Statement is charged with depreciation and revaluation and impairment losses in excess of the balance on the Revaluation Reserve;
- Actual capital expenditure and income is reported to the Authority but is not included in the Comprehensive Income and Expenditure Statement, which shows revenue amounts only;
- The cost of retirement benefits is based on cash flows (payment of employers' pension contributions) rather than current service cost of benefits accrued in the year;
- Management and Administration expenditure is budgeted centrally, but is reapportioned in line with SerCOP requirements in the Comprehensive Income and Expenditure Statement.

The breakdown of the income and expenditure of the Authority as recorded in the outturn budget report is as follows:

<b>2011/12</b>	Employee Expenses £	Service Expenses £	<b>Total Expenditure £</b>	Sales, Fees and Charges £	Grants £	<b>Total Income £</b>	<b>Net Expenditure £</b>
Conservation of the Natural Environment	157,528	35,048	<b>192,576</b>	(8,500)	(12,904)	<b>(21,404)</b>	<b>171,172</b>
Conservation of the Cultural Heritage	44,585	23,268	<b>67,853</b>	(300)	(36,605)	<b>(36,905)</b>	<b>30,948</b>
Recreation Management and Transport	41,466	93,300	<b>134,766</b>	(132,405)	(13,973)	<b>(146,378)</b>	<b>(11,612)</b>
Promoting Understanding	356,457	222,949	<b>579,406</b>	(60,167)	(1,234)	<b>(61,401)</b>	<b>518,005</b>
Rangers, Estates and Volunteers	300,221	54,035	<b>354,256</b>	(5,046)	(6,345)	<b>(11,391)</b>	<b>342,865</b>
Development Control	89,928	35,378	<b>125,306</b>	(13,955)	-	<b>(13,955)</b>	<b>111,351</b>
Forward Planning and Communities	311,808	267,909	<b>579,717</b>	-	(221,062)	<b>(221,062)</b>	<b>358,655</b>
Management and Administration	977,202	399,879	<b>1,377,081</b>	(50,285)	(145,161)	<b>(195,446)</b>	<b>1,181,635</b>
<b>Total</b>	<b>2,279,195</b>	<b>1,131,766</b>	<b>3,410,961</b>	<b>(270,658)</b>	<b>(437,284)</b>	<b>(707,942)</b>	<b>2,703,019</b>

<b>2010/11 Comparatives</b>	Employee Expenses £	Service Expenses £	<b>Total Expenditure £</b>	Sales, Fees and Charges £	Grants £	<b>Total Income £</b>	<b>Net Expenditure £</b>
Conservation of the Natural Environment	430,310	72,569	<b>502,879</b>	(16,187)	(152,562)	<b>(168,749)</b>	<b>334,130</b>
Conservation of the Cultural Heritage	358,872	56,963	<b>415,835</b>	(4,859)	(160,086)	<b>(164,945)</b>	<b>250,890</b>
Recreation Management and Transport	122,948	123,149	<b>246,097</b>	(160,301)	(36,785)	<b>(197,086)</b>	<b>49,011</b>
Promoting Understanding	399,705	186,525	<b>586,230</b>	(72,678)	(2,000)	<b>(74,678)</b>	<b>511,552</b>
Rangers, Estates and Volunteers	452,424	37,634	<b>490,058</b>	(25)	-	<b>(25)</b>	<b>490,033</b>
Development Control	78,585	22,939	<b>101,524</b>	(15,530)	-	<b>(15,530)</b>	<b>85,994</b>
Forward Planning and Communities	175,062	376,754	<b>551,816</b>	-	(425,927)	<b>(425,927)</b>	<b>125,889</b>
Management and Administration	1,110,022	510,864	<b>1,620,886</b>	(30,625)	(16,682)	<b>(47,307)</b>	<b>1,573,579</b>
<b>Total</b>	<b>3,127,928</b>	<b>1,387,397</b>	<b>4,515,325</b>	<b>(300,205)</b>	<b>(794,042)</b>	<b>(1,094,247)</b>	<b>3,421,078</b>

Reconciliation of the net expenditure from the outturn report to the Cost of Services in the Comprehensive Income and Expenditure Statement

2010/11		2011/12
£		£
<b>3,421,078</b>	<b>Net Expenditure in the breakdown of the Outturn Budget Report Analysis</b>	<b>2,703,019</b>
(87,690)	Remove capital expenditure capitalised in the financial statements but included in the outturn budget reporting	(123,100)
(370,000)	Remove employers' cash pension contributions included in outturn budget reporting but removed from the financial statements	(500,000)
3,569	Remove capital income included in the outturn budget reporting but capitalised in the financial statements	3,407
29,060	Remove interest and investment income included in outturn budget reporting but excluded from the Cost of Services in the Comprehensive Income and Expenditure Statement (income and investment income included as part of the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement instead)	40,271
(1,010,000)	Include employers' cash pension contributions included as an accrual in the financial statements but excluded from the outturn budget reporting	170,000
(1,800)	Include impact of employee accrual for leave	(8,800)
108,925	Include depreciation charges included in the financial statements but excluded from the outturn budget reporting	121,413
79,907	Include impairment charges included in the financial statements but excluded from the outturn budget reporting	-
<b>2,173,049</b>	<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>2,406,210</b>

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the outturn budget reporting analysis relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

<b>2011/12</b>	Outturn Budget Report Analysis (OBRA) £	Amounts included in the OBRA but not in the Cost of Services in the CIES £	Amounts included in the Cost of Services in the CIES but not in the OBRA £	Allocation of reapportioned management and admin costs £	Amounts reported below the Cost of Services in the CIES £	<b>Total</b> £
Sales, fees and charges	(230,387)	-	-	-	-	<b>(230,387)</b>
Interest and Investment Income	(40,271)	40,271			(40,271)	<b>(40,271)</b>
National Park Grant	-	-	-	-	(3,133,337)	<b>(3,133,337)</b>
External grants and contributions	(433,877)	-	-	104,000	-	<b>(329,877)</b>
Reapportion management & admin income	-	-	-	(104,000)	-	<b>(104,000)</b>
Capital Grants	(3,407)	3,407	-	-	(3,407)	<b>(3,407)</b>
<b>Total Income</b>	<b>(707,942)</b>	<b>43,678</b>	-	-	<b>(3,177,015)</b>	<b>(3,841,279)</b>
Employee Expenses	2,279,195	(500,000)	161,200	(836,800)	20,000	<b>1,123,595</b>
Other Service Expenses	1,131,766	(123,100)	-	(271,200)	-	<b>737,466</b>
Reapportion management & admin costs	-	-	-	1,108,000	-	<b>1,108,000</b>
Depreciation and impairment	-	-	121,413	-	-	<b>121,413</b>
<b>Total Expenditure</b>	<b>3,410,961</b>	<b>(623,100)</b>	<b>282,613</b>	-	<b>20,000</b>	<b>3,090,474</b>
				-		
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>2,703,019</b>	<b>(579,422)</b>	<b>282,613</b>	-	<b>(3,157,015)</b>	<b>(750,805)</b>

<b>2010/11 Comparatives</b>	Outturn Budget Report Analysis (OBRA) £	Amounts included in the OBRA but not in the Cost of Services in the CIES £	Amounts included in the Cost of Services in the CIES but not in the OBRA £	Allocation of reapportioned management and admin costs £	Amounts reported below the Cost of Services in the CIES £	<b>Total</b> £
Sales, fees and charges	(271,145)	-	-	-	-	<b>(271,145)</b>
Interest and Investment Income	(29,060)	29,060	-	-	(29,060)	<b>(29,060)</b>
National Park Grant	-	-	-	-	(3,111,334)	<b>(3,111,334)</b>
External grants and contributions	(790,473)	-	-	-	-	<b>(790,473)</b>
Capital Grants	(3,569)	3,569	-	-	(3,569)	<b>(3,569)</b>
Income from disposal of non current asset	-	-	-	-	(20,000)	<b>(20,000)</b>
<b>Total Income</b>	<b>(1,094,247)</b>	<b>32,629</b>	<b>-</b>	<b>-</b>	<b>(3,163,963)</b>	<b>(4,225,581)</b>
Employee Expenses	3,127,928	(370,000)	(1,011,800)	(898,814)	120,000	<b>967,314</b>
Other Service Expenses	1,387,397	(87,690)	-	(369,600)	-	<b>930,107</b>
Reapportion management & admin costs	-	-	-	1,268,414	-	<b>1,268,414</b>
Depreciation and impairment	-	-	188,832	-	-	<b>188,832</b>
Non-current asset written off on disposal	-	-	-	-	13,352	<b>13,352</b>
<b>Total Expenditure</b>	<b>4,515,325</b>	<b>(457,690)</b>	<b>(822,968)</b>	<b>-</b>	<b>133,352</b>	<b>3,368,019</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>3,421,078</b>	<b>(425,061)</b>	<b>(822,968)</b>	<b>-</b>	<b>(3,030,611)</b>	<b>(857,562)</b>

## 9. 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.

2010/11	Usable Reserves		
	General Fund Balance (£)	Capital Receipts Reserve (£)	Movement in Unusable Reserves (£)
<b>Adjustment primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of non-current assets	188,832	-	(188,832)
Capital grants and contributions applied	(3,569)	-	3,569
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	13,352	-	(13,352)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Capital Expenditure charged against the General Fund Balance	(84,121)	-	84,121
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>			
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20,000)	20,000	-
<b>Adjustment primarily involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(890,000)	-	890,000
Employer's pension contributions and direct payments to pensioners payable in the year	(370,000)	-	370,000
<b>Adjustment primarily involving the Accumulated Absences Account:</b>			
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	(1,800)	-	1,800
<b>Total Adjustments</b>	<b>(1,167,306)</b>	<b>20,000</b>	<b>1,147,306</b>

2011/12	Usable Reserves		
	General Fund Balance (£)	Capital Receipts Reserve (£)	Movement in Unusable Reserves (£)
<b>Adjustment primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of non-current assets	121,413	-	(121,413)
Capital grants and contributions applied	(3,407)	-	3,407
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Capital Expenditure charged against the General Fund Balance	(119,693)	-	119,693
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>			
Use of Capital Receipts Reserve to finance new capital expenditure	-	(34,301)	34,301
<b>Adjustment primarily involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	190,000	-	(190,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(500,000)	-	500,000
<b>Adjustment primarily involving the Accumulated Absences Account:</b>			
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	(8,800)	-	8,800
<b>Total Adjustments</b>	<b>(320,487)</b>	<b>(34,301)</b>	<b>354,788</b>

## 10. Transfers to/ from Earmarked Reserves

	Balance at 1 <sup>st</sup> April 2011	Transfers out 2011/12	Transfers in 2011/12	Balance at 31 <sup>st</sup> March 2012
	£	£	£	£
The Sill	-	-	140,000	140,000
Visitor Centre Refurbishment	-	-	100,000	100,000
IT capital replacements	-	-	75,000	75,000
Planning contingency	-	-	162,000	162,000
<b>Total Earmarked Reserves</b>	<b>-</b>	<b>-</b>	<b>477,000</b>	<b>477,000</b>

Transfer as per Movement in Reserves Statement £477,000

## 11. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 9 and 10.

## 12. Unusable Reserves

2010/11		2011/12
£		£
306,332	Revaluation Reserve	297,137
1,913,286	Capital Adjustment Account	1,958,469
(2,910,000)	Pensions Reserve	(3,670,000)
(44,500)	Accumulated Absences Account	(35,700)
<b>(734,882)</b>	<b>Total Unusable Reserves</b>	<b>(1,450,094)</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.

2010/11		2011/12
£		£
326,763	<b>Balance at 1 April</b>	306,332
(9,429)	Difference between fair value depreciation and historical cost depreciation	(9,195)
(11,002)	Accumulated gains on assets sold or scrapped	-
<b>306,332</b>	<b>Balance at 31 March</b>	<b>297,137</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 amortisation 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 gains recognised on donated assets that have yet to be consumed by the Authority.

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

Note 9 provides the sources of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11		2011/12
£		£
<b>2,007,349</b>	<b>Balance at 1 April</b>	<b>1,913, 286</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(188,832)	• Charges for depreciation and impairment of non-current assets	(121,413)
84,121	• Revenue expenditure funded by capital under statute	119,693
(13,352)	• 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	-
(118,063)		(1,720)
20,431	Adjusting amounts written out of the Revaluation Reserve	9,195
(97,632)	Net written out amount of the cost of non-current assets consumed in the year	7,475
	Capital financing applied in the year:	
-	• Use of Capital Receipts Reserve to finance new capital expenditure	34,301
3,569	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,407
3,569		37,708
<b>1,913,286</b>	<b>Balance at 31 March</b>	<b>1,958,469</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing difference 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 Pension 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 comes to be paid.

2010/11		2011/12
£		£
(4,930,000)	<b>Balance at 1 April</b>	(2,910,000)
760,000	Actuarial gains or losses on pensions assets and liabilities	(1,070,000)
890,000	Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provisions Services in the Comprehensive Income and Expenditure Statement	(190,000)
370,000	Employer's pensions contributions and direct payments to pensioners payable in the year	500,000
<b>(2,910,000)</b>	<b>Balance at 31 March</b>	<b>(3,670,000)</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 as a result of the annual leave year differing to the financial year. Statutory arrangements require the impact on the General Fund Balance is neutralised by transfers to or from the account.

2010/11		2011/12
£		£
(46,300)	<b>Balance at 1 April</b>	(44,500)
46,300	Cancellation of accrual made at the end of the preceding year	44,500
(44,500)	Amounts accrued at the end of the current year	(35,700)
1,800	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	8,800
<b>(44,500)</b>	<b>Balance at 31 March</b>	<b>(35,700)</b>

### 13. Cash Flow Statement – Non Cash Movements

2010/11		2011/12
£		£
(188,832)	Depreciation/impairment	(121,413)
1,260,000	IAS19 charges for Retirement Benefits	310,000
(13,352)	Carrying amount of non-current asset sold	-
	<u>Items on an accruals basis:</u>	
(1,844)	• Decrease in stock	(4,456)
(116,193)	• Increase / (Decrease) in Debtors	73,531
30,632	• Decrease in Creditors	45,709
(389,262)	• (Increase) / Decrease in Provisions	350,450
<b>581,149</b>	<b>Total Non Cash Movements</b>	<b>653,821</b>

### 14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items

2010/11		2011/12
£		£
2,519,284	Cash paid to and on behalf of employees	2,471,197
1,501,142	Operating cash payments	1,138,885
(3,111,334)	National Park Grant	(3,133,337)
(851,771)	Other external revenue grants (Note 16)	(309,931)
(297,934)	Other operating cash receipts	(227,991)
(15,800)	Bank interest received	(28,831)
<b>(256,413)</b>	<b>Total cash flow from Operating Activities</b>	<b>(90,008)</b>

### 15. Cash Flow Statement – Investing Activities

2010/11		2011/12
£		£
87,690	Purchase of property, plant and equipment	157,402
(20,000)	Capital receipt – sale of Greenlee barn	-
-	Cash inflow Capital Grants	(6,976)
750,000	Investment of surplus funds into one year fixed term bond, maturing April 2011	(750,000)
-	Investment of surplus funds into one year fixed term bond, maturing April 2012	1,000,000
<b>817,690</b>	<b>Total cash flow from Investing Activities</b>	<b>400,426</b>

**16. Cash Inflow – Other External Grants (Revenue)**

<b>2010/11</b>		<b>2011/12</b>
£		£
200,000	Sustainable Development Fund (DEFRA)	-
52,689	Natural England	9,239
210,775	Lottery	10,123
126,158	European funding	133,884
39,335	Department for Communities and Local Government	20,000
-	Modernisation Fund (DEFRA)	57,732
5,000	Local authorities	39,000
40,000	Environment Agency	-
-	English Heritage	5,897
13,180	Private sector funding	-
13,500	Charities	10,100
151,134	Other grants	23,956
<b>851,771</b>		<b>309,931</b>

\* The Sustainable Development Fund is no longer ring-fenced as separate funding from DEFRA and is now paid as part of the overall National Park Grant. The Authority continues to award grants for Sustainable Development purposes and £125,000 per annum is budgeted over the medium term budget plan.

**17. Officers' Remuneration**

The remuneration paid to the Authority's senior employees is as follows:

		<b>Salary/ Fees, and Allowances £</b>	<b>Pension Contribution £</b>	<b>Total £</b>
Chief Executive (National Park Officer)	2011/12	75,657	10,743	£86,400
	2010/11	75,657	15,737	£91,394

The number of employees whose remuneration, including redundancy costs but excluding pension contributions that fell in each £5,000 band over £50,000 was:

<b>2010/11</b>		<b>2011/12</b>
-	£50,000 - £54,999	1
-	£55,000 - £59,999	1
-	£60,000 - £64,999	-
-	£65,000 - £69,999	-
-	£70,000 - £74,999	1
1	£75,000 - £79,999	1

The number of instances of employees exceeding the £50,000 threshold in 2011/12 is as result of the redundancy entitlements paid out during 2011/12 (but provided for in 2010/11), added to salary payments made up until the effective date of redundancy.

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

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Total number of exit packages per cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	4	-	4	-	8	-	£85,942	-
£20,001 - £40,000	-	1	2	-	2	1	£56,994	£38,812
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	2	-	2	-	£136,531	-
£80,001 - £100,000	-	-	1	-	1	-	£89,915	-
<b>Total</b>	<b>4</b>	<b>1</b>	<b>9</b>	<b>-</b>	<b>13</b>	<b>1</b>	<b>£369,382</b>	<b>£38,812</b>

The costs recognised in the exit packages are the redundancy payment made to the individual and strain on the pension cost payable directly to the pension fund. In this instance a pension strain has arisen where an employee over the age of 55 has been made redundant and is able to claim their pension.

The total cost of exit packages under 2010/11 reflects the actual amounts paid during 2011/12. The provision recognised in 2010/11 totalled £389,262, the difference between the provision and the actual being £19,880 which was credited against expenditure during 2011/12 to reconcile the provision.

The total cost of exit packages under 2011/12 is based on the provision for redundancies which will take place during 2012/13. The conditions of recognising a provision have been met as prescribed by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

## 18. Audit Costs

In 2011/12 Northumberland National Park Authority incurred the following fees relating to external audit:

2010/11		2011/12
£		£
22,161	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor	19,280
(1,343)	Audit Commission direct rebate of fees	(1,542)
<u>20,818</u>		<u>17,738</u>

## 19. Pensions

The disclosures below relate to the funded liabilities within the Northumberland County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires Northumberland National Park Authority and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Northumberland National Park Authority recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The Balance Sheet includes a Pensions Reserve liability of £3.67m as at 31st March 2012. This liability represents the fair value of future pension liabilities that have been incurred less the assets that have been set aside to fund them.

The net pension liabilities decrease the overall level of reserves on the Balance Sheet. However, this does not impact on the level of the Authority's cash reserves or on the National Park Grant. There is a long term investment strategy in place to address the liability, based on the level of employer contributions paid into the fund.

The latest actuarial valuation of Northumberland National Park Authority's liabilities took place as at 31st March 2010 and for the unfunded benefits element on the 31<sup>st</sup> March 2012. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	31 <sup>st</sup> March 2012 % p.a.	31st March 2011 % p.a.	31st March 2010 % p.a.
Rate of general increase in salaries	5.1	5.2	5.4
Rate of increase to pensions in payment	2.6	2.8	3.9
Rate of increase to deferred pensions	2.6	2.8	3.9
Discount rate	4.8	5.4	5.5
RPI Inflation	3.6	3.7	3.9
CPI Inflation	2.6	2.8	N/A

The principal assumptions used by the actuary in updating the latest valuation of the unfunded benefits vary to a small degree to those set out above but do not warrant disclosure on the basis of materiality.

<b>Post retirement mortality</b>	31 <sup>st</sup> March 2012	31st March 2011
<u>Males</u>		
Future lifetime from age 65 (aged 65 at accounting date)	22.4	22.2
Future lifetime from age 65 (aged 45 at accounting date)	24.2	24.1
<u>Females</u>		
Future lifetime from age 65 (aged 65 at accounting date)	24.5	24.4
Future lifetime from age 65 (aged 45 at accounting date)	26.5	26.4

We have been informed that the market value of the assets of the Northumberland County Council Pension Fund as at 31st March 2012 that were allocated to Northumberland National Park Authority was £7.87million (2010/11 £7.04million).

	Long term rate of return expected at 31st March 2012	Value at 31st March 2012	Long term rate of return expected at 31st March 2011	Value at 31st March 2011	Long term rate of return expected at 31st March 2010	Value at 31st March 2010
	% p.a	£m	% p.a	£m	% p.a	£m
Equities	8.1	5.48	8.4	4.81	8.0	4.39
Property	7.6	0.39	7.9	0.37	8.5	0.33
Government bonds	3.1	1.10	4.4	1.30	4.5	0.94
Corporate bonds	3.7	0.84	5.1	0.50	5.5	0.48
Cash	1.8	0.06	1.5	0.06	0.7	0.10
<b>Total</b>	<b>6.9</b>	<b>7.87</b>	<b>7.3</b>	<b>7.04</b>	<b>7.2</b>	<b>6.24</b>

Northumberland National Park Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2012

#### Reconciliation of funded status to Balance Sheet

	31st March 2012	31st March 2011	31st March 2010
	£m	£m	£m
Share of assets	7.87	7.04	6.24
Estimated funded liabilities	(11.42)	(9.84)	(11.05)
Estimated unfunded liabilities	(0.12)	(0.11)	(0.12)
<b>Pension liability recognised on the Balance Sheet</b>	<b>(3.67)</b>	<b>(2.91)</b>	<b>(4.93)</b>

**Charges to the Surplus or Deficit on the Provision of Services**

	For the year ended 31st March 2012	For the year ended 31st March 2011
	£m	£m
Current service cost	0.28	0.33
Past service cost (funded pension scheme)	-	(1.33)
Past service cost (unfunded pension scheme)	-	(0.01)
Interest cost on funded pension scheme liabilities	0.53	0.56
Interest cost on unfunded pension scheme liabilities	0.01	0.01
Expected return on assets	(0.52)	(0.45)
Curtailments	(0.11)	-
Expense recognised	0.19	(0.89)

**Changes to the present value of defined benefit obligation during the accounting period**

	For the year ended 31st March 2012	For the year ended 31st March 2011
	£m	£m
Opening present value of liabilities	9.84	11.05
Current service cost	0.28	0.33
Interest cost	0.53	0.56
Contributions by participants	0.10	0.11
Actuarial losses on liabilities	0.90	(0.77)
Net benefits paid out	(0.12)	(0.11)
Past service cost	-	(1.33)
Curtailments	(0.11)	-
Closing present value of liabilities	11.42	9.84

**Changes to the fair value of assets during the accounting period**

	For the year ended 31st March 2012	For the year ended 31st March 2011
	£m	£m
Opening fair value of assets	7.04	6.24
Expected return on assets	0.52	0.45
Actuarial gains / (losses) on assets	(0.16)	(0.01)
Contributions by the employer	0.49	0.36
Contributions by the participants	0.10	0.11
Net benefits paid out	(0.12)	(0.11)
Closing fair value of assets	7.87	7.04

**Actual return on assets**

	For the year ended 31st March 2012	For the year ended 31st March 2011
	£m	£m
Expected return on assets	0.52	0.45
Actuarial gain/ (loss) on assets	(0.16)	(0.01)
Actual return on assets	0.36	0.44

**Analysis of amounts recognised in Other Comprehensive Income and Expenditure**

	For the year ended 31st March 2012 £m	For the year ended 31st March 2011 £m
Total Actuarial gains/ (losses) (funded pension scheme)	(1.06)	0.76
Total Actuarial gains/ (losses) (unfunded pension scheme)	(0.01)	-
Total gains / losses	<u>(1.07)</u>	<u>0.76</u>

**History of asset values, present value of defined benefit obligation and surplus/deficit**

	<u>IFRS</u> For the year ended 31st March 2012 £m	<u>IFRS</u> For the year ended 31st March 2011 £m	<u>UKGAAP</u> For the year ended 31st March 2010 £m	<u>UKGAAP</u> For the year ended 31st March 2009 £m	<u>UKGAAP</u> For the year ended 31st March 2008 £m
Fair value of assets	7.87	7.04	6.24	4.14	5.04
Present value of defined benefit obligation (funded pension scheme)	(11.42)	(9.84)	(11.05)	(7.69)	(6.49)
Present value of defined benefit obligation (unfunded pension scheme)	(0.12)	(0.11)	(0.12)	(0.11)	(0.10)
Surplus / (deficit)	<u>(3.67)</u>	<u>(2.91)</u>	<u>(4.93)</u>	<u>(3.66)</u>	<u>(1.55)</u>

**History of experience gains and losses**

	<u>IFRS</u> For the year ended 31st March 2012 £m	<u>IFRS</u> For the year ended 31st March 2011 £m	<u>UKGAAP</u> For the year ended 31st March 2010 £m	<u>UKGAAP</u> For the year ended 31st March 2009 £m	<u>UKGAAP</u> For the year ended 31st March 2008 £m
Experience gains / (losses) on assets	(0.16)	(0.01)	1.46	(1.63)	(0.40)
Percentage of assets	-2.0%	-0.1%	23.4%	-39.4%	-8.1%
Experience gains / (losses) on liabilities	(0.05)	0.59	0.05	(0.02)	(0.39)
Percentage of the present value of liabilities	-0.4%	6.0%	0.5%	-0.27%	-5.9%

The Authority's contributions to the fund for the accounting period ending 31 March 2013 are estimated to be £330,000. In addition unfunded benefits paid by the Authority directly to beneficiaries was £10,000 in 2011/12 and is expected to be £10,000 for the accounting period ending 31 March 2013.

## 20. Members Allowances

The total of Members allowances paid in the year was £55,346 (2010/11 £52,645).

## 21. Financial commitments

### Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2011/12 was £39,520 (2010/11 £38,567).

As at the balance sheet date, 31st March 2012, the National Park Authority had a commitment of £55,025 (31st March 2011 £67,480):

	31st March 2012		31st March 2011	
	Land and Buildings	Vehicles	Land and Buildings	Vehicles
	£	£	£	£
Operating leases which expire:				
within one year	-	5,574	-	10,454
In the second to fifth years	-	49,451	-	57,026
	-	55,025	-	67,480

Steel Rigg car park should be noted as an operating lease despite no annual rent being payable under the agreement. A profit sharing arrangement exists with the owners of the land, the National Trust. There is no defined end date to this arrangement and it will continue as long as both parties are agreeable.

## 22. Related Party Transactions

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 significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of the "National Park Grant" from the Department of the Environment, Food and Rural Affairs (DEFRA). Note 6 sets out the amount of "National Park Grant" received during the 2011/12 and there was no amount outstanding at the year end.

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 20. Community and Sustainable Development Fund grants were paid to a number of voluntary organisations in which members were either trustees or had positions on the governing body. Details are set out in the following table. In all instances the relevant members did not take part in any discussion or decision relating to the award of the grants.

### Northumberland County Council

Of the twenty two Authority members, six are nominated by Northumberland County Council. The Authority made and received payments for various services (excluding those relating to business rates and the pension fund) to Northumberland County Council during 2011/12. Details are set out in the following table.

<b>Payments to related parties</b>	<b>Nature of relationship</b>	<b>Payments to related party 2011/12</b>	<b>Due to related party at 31.3.12</b>	<b>Payments to related party 2010/11</b>	<b>Due to related party at 31.3.11</b>
		£	£	£	£
Northumberland County Council	a.	68,561	-	82,552*	8,972*
Bardon Mill & Henshaw Village Hall	b.	2,500	-	4,809	-
Bellingham Community Trust	b.	7,334	-	9,902	-
Elsdon Village Hall	b.	948	-	-	-
Glendale Gateway Trust	b.	2,015	1,700	3,446	-
Greenhead CE First School	b.	75	-	18,000	-

\* The payments to related parties 2010/11 and due at 31.3.11 have been adjusted to those disclosed last year (£93,365 and £9,438) to exclude the effect of payments made relating to the pension fund, allowing for proper comparison.

<b>Receipts from related parties</b>	<b>Nature of relationship</b>	<b>Receipts from related party 2011/12</b>	<b>Due from related party at 31.3.12</b>	<b>Receipts from related party 2010/11</b>	<b>Due from related party at 31.3.11</b>
		£	£	£	£
Northumberland County Council	a.	41,439	-	18,949	6,713

Nature of relationship:

- a. council with member representation on National Park Authority
- b. Authority member or linked to an Authority member

## 23. Property, Plant and Equipment

Movements in Property, Plant and Equipment during 2010/11 were as follows:

	Land and Buildings	Plant, Furniture and Equipment	Assets Under Construction	Total
	£	£		£
Cost / valuation as at 1st April 2010	2,590,003	585,432	-	3,175,435
Acquisitions	-	74,315	27,125	101,440
Derecognition - Disposals	(15,000)	-	-	(15,000)
Impairment	(157,537)	-	-	(157,537)
Cost / valuation as at 31st March 2011	2,417,466	659,747	27,125	3,104,338
Accumulated Depreciation as at 1st April 2010	260,288	581,034	-	841,322
Provision for the Year	97,848	11,077	-	108,925
Derecognition - Disposals	(1,648)	-	-	(1,648)
Impairment	(77,630)	-	-	(77,630)
Accumulated depreciation as at 31 March 2011	278,858	592,111	-	870,969
Net Book Value as at 31st March 2011	2,138,608	67,636	27,125	2,233,369
Net Book Value as at 31st March 2010	2,329,715	4,398	-	2,334,113

Movements in Property, Plant and Equipment during 2011/12 were as follows:

	Land and Buildings	Plant, Furniture and Equipment	Assets Under Construction	Total
	£	£		£
Cost / valuation as at 1st April 2011	2,417,466	659,747	27,125	3,104,338
Movement in assets under construction	-	19,625	(19,625)	-
Acquisitions	-	28,138	115,864	144,002
Derecognition – Disposals	-	(151,009)	-	(151,009)
Cost / valuation as at 31st March 2012	2,417,466	556,501	123,364	3,097,331
Accumulated Depreciation as at 1st April 2011	278,858	592,111	-	870,969
Provision for the Year	97,564	23,849	-	121,413
Derecognition – Disposals	-	(151,009)	-	(151,009)
Accumulated depreciation as at 31 March 2012	376,422	464,951	-	841,373
Net Book Value as at 31st March 2012	2,041,044	91,550	123,364	2,255,958
Net Book Value as at 31st March 2011	2,138,608	67,636	27,125	2,233,369

Additions to Property, Plant and Equipment, have been financed through revenue and capital grants.

Property was revalued, at market value, in March 2008 by H.C.Remnant, MRICS BSc (Hons) of Land Factor, a Northumberland-based partnership specialising in estate management.

The Authority is not aware of any material change in the value of Property, Plant and Equipment as at 31 March 2012.

Property owned or partially owned by the National Park Authority includes the following:

	2011/12	2010/11
Administrative offices	1	1
Visitor centres / tea rooms	4	4
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	5	5
Car parks / toilets	6	6

## Acquisitions

### Coquetdale Centre Roof Replacement and installation of Solar Photovoltaics

£115,864 of expenditure was capitalised during 2011/12 in relation to the above project. The remaining capital receipts were applied totalling £34,301, with the remainder being funded from allocated revenue budget. This is shown under assets under construction in the Movements in Property, Plant and Equipment during 2011/12 table as the work was not complete at the year end. The Authority redirected a further £25,400 of budget for 2012/13 financial year to finish the project.

### **Electric Vehicle charging points and the use of the Donated Assets Account**

£7,763 of expenditure was capitalised in 2011/12 to install and bring into use 6 of the remaining 9 Electric Vehicle charging points which were purchased in February 2011. £3,407 of grants for this project is recognised against non specific grant income (note 6) in the Comprehensive Income and Expenditure Statement, with the Authority's contribution funding the balance. The value in the balance sheet for this project stands at £42,418 with £7,763 recognised as acquisitions in 2011/12 and £34,655 in 2010/11.

£7,500 remains as assets under construction, which represents 3 charging posts which have not yet been installed. Negotiations are ongoing around the sites for these posts. In addition the funding available for this project has increased to 100%, negotiations are ongoing on how best to proceed. The posts may end up being sold back to the lead partner in the project to install and claim the increased funding during 2012/13.

The value of the points purchased and capitalised before installation was £27,500. The Authority paid 50% or £13,750 of the costs through the Plugged in Places project with the remaining £13,750 being paid for by the funder directly to the supplier. The £13,750 paid by the funder directly to the supplier is recognised under Donated Assets Account on the Balance Sheet.

### **IT Equipment**

£20,375 of IT expenditure has been capitalised for the purchase of hardware, and the associated installation and configuration of a SAN storage device during 2011/12. This was funded through revenue and has been in use from November 2011.

### **Derecognition – Disposals**

A number of items classified under plant, furniture and equipment which were fully depreciated and therefore held at a nil net book value, were identified as no longer in use by the Authority. They have been written out of the cost and depreciation lines of plant, furniture and equipment to reflect this.

They were:

- an interpretive display for Hillfort Heritage at the Cheviot Centre in Wooler (historic cost £25,000);
- the interpretive and audio visual display at the Coquetdale Centre in Rothbury (historic cost £64,348);
- IT server hardware, and two IT software programmes (historic cost £61,661)

## **24. Intangible Assets**

The Authority accounts for its software as intangible assets, to the extent the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

An external IT development company developed an IT programme specifically for Development Management during 2011/12, and this has been capitalised as an intangible asset. The value recognised is solely that paid to the contractor or accrued at the year end.

The cost value of the Development Management system is £13,400, and will be amortised on a straight line basis over the period it is estimated to be of use in the Authority (as yet to be determined). The developed programme was in the final stages of testing as at the 31<sup>st</sup> March 2012 and therefore no charge for amortisation has been made to revenue in 2011/12.

## 25. Heritage Assets

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

The Authority does not currently have any heritage assets held within the Balance Sheet.

There are assets owned or leased on a long term basis by the Authority which are considered to fall within the category of Heritage Assets. These have not been valued because due to the nature of the assets they are difficult to place a reliable value on and obtaining full valuations would involve a disproportionate cost in comparison to the benefits to the users of the financial statements.

The assets below are scheduled ancient monument with the exception of the lime kiln which is a non designated heritage asset.

- Harbottle Castle, where the Authority has entered into a 40 year lease expiring in the year 2035;
- Woodhouses Bastle, where the Authority has entered into a 99 year lease expiring in the year 2092;
- Thirlwall Castle, where the Authority has entered into a 99 year lease expiring in the year 2098; and
- Tosson Lime Kiln, where the Authority has entered into a 40 year lease expiring in the year 2036.

Payments due under these leases are at peppercorn rates as per the lease agreements and there are no restrictions on public access to the sites above.

In addition within the Hareshaw Linn site owned by the Authority is part of a scheduled ancient monument. It is the remains of a 19<sup>th</sup> century dam used at Bellingham iron works which historically formed part of the site. This is not part of the valuation placed on the site.

## 26. Inventories

There was no work in progress. Stocks held were as follows:

<b>31.03.11</b>		<b>31.03.12</b>
£		£
249	Confectionery	359
1,739	Books	727
4,000	Maps	3,251
10,811	Souvenirs	8,653
3,974	Clothing	3,327
<b>20,773</b>	<b>Total Goods for Resale</b>	<b>16,317</b>

Obsolete stock valued at £474 was identified and written off at the end of the financial year. (Nil write off in 2010/11).

**27. Debtors**

<b>31.03.11</b>		<b>31.03.12</b>
£		£
13,577	Trade debtors	5,430
98,671	Grant claims	160,148
19,137	Other taxation	20,018
50,121	Other debtors and accrued income	69,441
<b>181,506</b>		<b>255,037</b>

Further analysis of debtors total at year end by organisation type

<b>31.03.11</b>		<b>31.03.12</b>
£		£
19,355	Central government bodies	143,814
6,173	Other local authorities	-
155,978	Other entities and individuals	111,223
<b>181,506</b>		<b>255,037</b>

**28. Cash and cash equivalents**

<b>31.03.11</b>		<b>31.03.12</b>
£		£
998,447	Bank Deposits	647,910
204,326	Bank Accounts	244,471
1,026	Petty cash	1,000
<b>1,203,799</b>		<b>893,381</b>

**29. Creditors**

<b>31.03.11</b>		<b>31.03.12</b>
£		£
41,955	Other tax and social security	36,723
151,123	Accruals	173,293
116,200	Receipts in advance – external grants	48,300
675	Receipts in advance – sales, fees and charges	14,728
44,500	Provision for accumulated absences	35,700
<b>354,453</b>		<b>308,744</b>

Further analysis of creditors at year end by organisation type

<b>31.03.11</b>		<b>31.03.12</b>
£		£
41,955	Central government bodies	36,723
27,301	Other local authorities	62,778
285,197	Other entities and individuals	209,243
<b>354,453</b>		<b>308,744</b>

### 30. Provision for restructuring costs

	£
<b>Balance at 1<sup>st</sup> April 2011</b>	<b>389,262</b>
Amounts used in 2011/12	(369,382)
Unused amounts reversed in 2011/12	(19,880)
Additional provisions made in 2011/12	38,812
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>38,812</b>

The government funding cuts created the need to restructure and downsize the Authority to make significant savings. Consultation on the change management process began in January 2011 and the main proposals were subsequently confirmed by the Authority in February. Of the £389,262 estimated cost of restructuring, only £369,382 of expenditure was incurred, the remaining £19,880 was reversed to the Comprehensive Income and Expenditure Statement in 2011/12.

In preparing the Statement of Accounts 2011/12 the cost associated with redundancies during 2012/13 has been provided for where the conditions of creating a provision have been met.

### 31. Financial Instruments

#### 31.1 Financial Assets

Financial assets are assets which have fixed or determinable payments but are not quoted in an active market. At the year end the only financial instruments held by the Authority are Short-Term Receivables and a 1 year fixed term bond of £1,000,000. Financial assets represented by the fixed term bond are carried in the balance sheet at amortised cost. Financial assets represented by Receivables are short-duration receivables with no stated interest rate and are therefore measured at original invoice amount. There have been no revaluations of financial instruments in the period so there are no gains or losses recognised in the accounts, hence there is no variation between the carrying value and fair value of the bond.

#### 31.2 Financial Liabilities

Financial liabilities are shown within the balance sheet as other liabilities and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of investment for the

instrument. Financial liabilities represented by accruals and other payables are short-duration payables with no stated interest rate and are therefore measured at original amount. There have been no revaluations of financial instruments in the period so there are no gains or losses recognised in the accounts, hence there is no variation between the carrying value and fair value. All accruals and other payables are due to be paid in less than one year.

### 31.3 Liquidity Risk

The Authority will ensure it has adequate though not excessive cash resources to enable it at all times to have the level of funds available which is necessary for achievement of its activities.

### 31.4 Interest Risk

The Authority is not exposed to any significant risks in terms of interest rate risk due to the Authority having no borrowings. However, the Authority is exposed to risk in changes in interest receivable on short term deposits, as interest is posted to the Comprehensive Income and Expenditure Statement and affects the General Fund balance pound for pound.

### 31.5 Exchange Risk

The Authority as far as possible limits its exposure to exchange rate fluctuations by ensuring transactions are carried out in sterling. The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in foreign exchange.

### 31.6 Credit Risk

This arises from deposit with banks and financial institutions, as well as credit exposures to the Authority's customers. The Authority has little exposure in this area as deposits are only placed on a short term to medium term basis therefore the risk is minimal.

No credit limits were exceeded during the period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to short term deposits.

The Authority has not noted any problems with collection of debts and receives debts on a timely basis.

In relation to trade debtors at 31<sup>st</sup> March past due but not impaired, a total of £3,600 was outstanding between 30 and 60 days and £1,150 had been outstanding for longer than 90 days. All balances past due but not impaired had been collected prior to the accounts being approved for audit in June 2012.

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

Under IAS 10 – Events after the Balance Sheet Date, the Authority is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the statement of accounts. Events after the Balance Sheet date up to the authorisation date have been considered in the preparation of these accounts.

A judicial review in relation to a planning decision made on the 30th May 2012 has been initiated but given it is at an early stage, any financial effect cannot be fully estimated at the point at which the accounts are approved.

The Chief Finance Officer authorised the draft Statement of Accounts 2011/12 for issue on the 29<sup>th</sup> June 2012, and the audited accounts were reported to the full Authority for approval on the 12<sup>th</sup> September 2012.