



Northumberland National Park Authority

Statement of Accounts

**For the year ended
31st March 2016**

CONTENTS	Page
Summary of the 2015/16 Financial Year	3 - 5
Explanatory Foreword	6 - 10
Statement of Responsibilities for the Statement of Accounts	10
Annual Governance Statement	12 - 16
Independent Auditors Report	17 – 19
Comprehensive Income and Expenditure Statement	20
Movement in Reserves Statement	21
Balance Sheet	22
Cash Flow Statement	23
Statement of Accounting Policies	24 - 29
Notes to the Accounts	30 - 64

Summary of the 2015/16 Financial Year

Overview

In 2015/16 the Authority made significant progress in delivering its future plans with substantial investment in a number of key areas. After focusing on cost reduction for a number of years, in response to government cuts in National Park grant, the Authority has been able to focus its attention on a number of projects essential to improving the delivery of our statutory purposes and to the future viability of the Authority. This investment is built on a guaranteed future baseline income from government. The Authority has lost none of its ambition for the national park and in order satisfy this we are looking to find alternative ways of delivering and financing our shared ambitions.

Key Investments and Projects

The highlight of the year has been the commencement of the construction of The Sill National Landscape Discovery Centre at Once Brewed on Hadrian's Wall. The project was awarded a £7,748,000 grant by the Heritage Lottery Fund in 2014/15. In 2015/16: £1,056,000 of Heritage Lottery Funds; £1,000,000 of Rural Local Growth Funds; £44,500 of Youth Hostel Association funds and; £395,500 of charitable and philanthropic funds were drawn down. £275,000 of the charitable funds were received via the recently established Northumberland National Park Foundation. The construction is proceeding on a fixed price contract and The Sill is scheduled to open in June 2017.

Further funding has been pledged from philanthropic and charitable sources along with a £500,000 capital grant from Northumberland County Council and a Youth Hostel Association capital contribution of £250,000. Fundraising will continue over the 5 years of the project in order to maximise the impact of The Sill and transform how people of all ages understand and explore the landscapes, history and heritage of Northumberland and the wider region.

During the construction of The Sill, we have moved our southern operations team and visitor centre operation temporarily to our Walltown site. There was £25,700 of capital investment funded from revenue to install temporary steel offices to facilitate this. Early signs of visitor engagement and trading at this site are positive.

Other substantial investments made during the year were:

- Capital expenditure of £123,200 to expand parking capacity at the popular Housesteads Car Park on Hadrian's Wall. For the first time the Authority utilised its option to borrow, drawing down a loan of £100,000 from the Public Works Loan Board over 10 years. Costs were higher than anticipated due to the discovery of important archaeology on the

site. This was excavated, recorded and conserved prior to the completion of the works which led to short delay and an increase in costs which the Authority has funded from revenue.

- The refurbishment of Bulby's Wood Toilet Block was completed in July 2016. The capital cost of £135,800 (£11,655 in the 2014/15 financial year) was funded from revenue having being released from an earmarked reserve established in 2013/14. The much improved facilities now include a reliable water supply, public Wi-Fi and an unmanned visitor information facility base for volunteers and national park activities.
- Building on the success of the Eastburn, Hexham Enterprise Hub, which received financial support for the capital build from Rural Growth Network Funds, the Authority added a further two office pods at Eastburn. The cost of the new pods was £32,700 and was funded from revenue. The Authority's contribution to the overall project is forecast to pay back in full early 2016/17 and will then contribute to core national park purposes going forward.

The Authority continues to focus on improving commercial income generation, access to grants and philanthropic fund raising. Key to this has been work towards delivering our commercial income strategy, which was again substantially achieved for the year. During the year Government extended 'Power of Competence' to the Authority which provides new opportunities for the Authority to explore future income generation and we will now look as to how we can use this new power.

The Authority fully achieved 65% of its broad work programme for the year. 31% of actions were partially complete, this is reflected in the large financial budget carry forward of £598,500. This shows the work programme remains challenging. With only 4% of actions not achieved we are confident the work programme is realistic.

Overall this performance continues to represent a significant achievement and positive impact in the National Park, its communities and businesses.

Financial Performance

The financial performance in 2015/16 saw a Budget surplus outturn of £445,300 which increased the General Fund reserves balance by £96,400 and established a short term capital grants unapplied reserve of £348,900. The Authority had taken significant action in prior years to reduce its costs in response to cuts in National Park grant and as a result its net operating expenditure of £2,334,800 was only 93% of National Park grant. The net operating surplus of £252,300, plus the interest receivable of £13,100 and net project income of £100,300 was used to finance net capital expenditure of £269,300. The resulting surplus increased the general fund balance by £96,400.

The Authority's long term pension liability decreased by £380,000 to £2,950,000 following the Scheme's actuary's latest review. This is a long term funding liability and the Authority is continuing to reduce its historical liability with fixed annual payments of £77,000 per annum.

During the year the General Fund and Useable Reserves increased by £445,300 to £2,494,800; however after allowing for earmarked reserves and the capital grants unapplied account the overall level of unallocated reserves reduces to £1,106,500. The unallocated reserves allow the Authority to manage the budget timing differences arising from The Sill project and allow the Authority to invest in the next 3 year business plan from March 2017.

Summary

The increased level of investment, partnership funding and an overall delivery of our Corporate Plan show that the National Park Authority continues, with our partners, to deliver towards the long term well being of the National Park and do so within a framework of sound financial and environmental management.

Tony Gates,
Chief Executive (National Park Officer)

Further details on our plans and performance are provided within the reports that can be found on the Authority's website at:

<http://www.northumberlandnationalpark.org.uk>

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 current and prior 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' (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; that is those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves 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, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

FINANCIAL POSITION

Before explaining the 2015/16 financial results it is appropriate to detail the current status of The Sill National Landscape Discovery Centre, this is a major project which will have a significant impact on the Authority's accounts, particularly during the capital build phase of the project.

The Sill National Landscape Discovery Centre

The Sill is a bold, ambitious project that will transform how people of all ages understand and explore the landscapes, history and heritage of Northumberland and the wider North East. The Sill will be the UK's first dedicated landscape discovery centre and will form a gateway from which extensive learning, participation and research activities will be provided. It will become a leading education facility for landscape, conservation, countryside management, leisure, and tourism skills. A major purpose of The Sill is to enable the landscapes of Northumberland National Park and surrounding Areas of Outstanding Natural Beauty to be opened up to a broad range of new audiences, including disadvantaged children, families, older people, disabled people and those less confident at exploring natural places.

The Sill will attract more than 100,000 visitors each year to a fully accessible, sustainable, all weather, all year-round landscape interpretation centre that also offers low cost YHA accommodation, retail and café facilities. As well as providing a building with all the facilities expected from modern day visitors The Sill will offer a comprehensive programme of interpretation, education and participation activities that will inspire people of all ages and backgrounds to celebrate value and conserve the unique natural and cultural features of the landscape. The centre will also deliver substantial economic benefits to the area, including a Rural Growth Business Hub to support the development of rural enterprises. Through its wide range of activities and operations The Sill will offer a wide range of volunteering opportunities which will strengthen links with local and regional communities through increased participation opportunities.

Total capital, in-kind and revenue costs for developing The Sill are £15.3m.

The Authority awarded a design and build construction contract to Sir Robert McAlpine in September 2015, following a full EU compliant procurement exercise. The overall capital and revenue project has confirmed funding to cover 88% of the costs; the remaining funding gap is £1.8m. Work will continue to close the funding gap by continuing to approach public, private and charitable organisations as well as individual philanthropists for grants and funding support.

2015/16 Financial Results

Income in the Comprehensive Income & Expenditure Statement

The Authority's main source of income is National Park Grant from the Department for the Environment Farming and Rural Affairs (Defra) which, at £2,496,673, amounted to 44% of its total income and 77% of its total non capital income in 2015/16. The Authority has been informed that National Park Grant will be protected for the next 4 years until the end of the current parliament, including a modest annual inflation increase.

Income for many new projects and services continues to be dependent on gaining external grant aid and other sources of income. Greater management focus continues on improving commercial income generation and philanthropic fund raising as a way of offsetting the impact of cuts in National Park Grant and allowing the Authority to continue to deliver its ambitions. One key action to achieve this,

has been to support the establishment of the Northumberland National Park Charitable Foundation, a charitable company limited by guarantee, which will raise charitable funds to support projects which help to achieve objectives for the National Park. The Authority has provided support to set up of the Charitable Foundation however its Trustees and governance are fully independent of the Northumberland National Park Authority. The Foundation is fully approved by the Charity Commission, registration number 1161156. £275,000 of funds raised by the Foundation in 2015/16 were paid to the Authority in March 2016 to support The Sill project.

Gross income to support the net Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £1,055,759 this was £379,751 higher than the previous year due to a £379,293 increase in project income and a £8,458 increase in operating income. An explanation is given below for project and operating income.

Project Income

The increase in gross project income was due in the main to an increase of £340,435 in The Sill project income (revenue element). This was because 2014/15 saw a one year gap in funding between the Phase 1 developmental project and the Phase 2 delivery of the project.

Other notable year on year movements were:

- Increase in National Trail project income of £23,053. 2015/16 was the first full of operating the Hadrian's Wall National Trail which meant an increase in grant from Natural England and partner contributions of £12,071. Income towards the upkeep of the Trail raised by donations and sale of merchandise increased by £10,982.
- Decrease of £26,707 following the completion in 2014/15 of the project to support the creation of the Sandstone Way mountain bike cycle trail between Berwick upon Tweed and Hexham.
- Increase in Arts Council funding of £79,971 for the Hadrian's Wall Cavalry project. 2015/16 was the first year of a three year project for which the Authority is acting as the Accountable Body on behalf of a partnership of Museums with links to Hadrian's Wall.

Operating Income

- Increase of £8,458 in operating income to £368,831 reflecting further progress in the Authority's objective to increase other sources of income to offset reductions in National Park Grant.

Finance and investment income at £13,124 reduced by £7,640 during the year, this was due to a year on year reduction in interest rates and that longer term deposits were not placed as frequently due to the greater variations in cashflow due to The Sill project.

Non specific grant income at £4,637,372 was £1,981,690 higher than the previous year due to higher capital grants of £2,025,879 raised for The Sill project slightly offset by a 1.8% (£44,189) cut in National Park Grant.

Expenditure in the Comprehensive Income and Expenditure Statement

The gross Cost of Services in the Comprehensive Income and Expenditure Statement reduced by £249,577 to £3,339,560; this reduction was after a favourable year-on-year asset revaluation movement of £26,245 and an adverse year-on-year IAS19 pension cost movement of £50,000; excluding both of those adjustments the underlying gross Cost of Services reduced by £273,332. The underlying cost reduction was due to a £270,320 decrease in (revenue) project expenditure and a £3,012 reduction in operational expenditure.

The underlying gross Cost of Services decreased year-on-year by £273,332, the notable reasons for this decrease in expenditure are shown below:

Project Costs

- Decrease in The Sill related (revenue) project expenditure costs of £118,100, due to the Authority incurring non grant funded bridging and project preparation costs between phase 1 and 2 of the project in 2014/15 and the 2015/16 expenditure being largely capital;
- Decrease in grants payable to local businesses and community groups through the Sustainable Development and Action Area Funds of £181,370 as a result of the Authority changing its approach to Rural Development. A Small Grants Fund has replaced these funding schemes which issued grants of £5,593;
- Increase in project expenditure on the Hadrian's Wall National Trail of £17,937 due to 2015/16 being the first year the Authority has managed the Trail for a full year;
- Decrease in Sandstone Way mountain bike trail expenditure of £28,434 as the project completed on time in the prior financial year;
- Increase in expenditure on the Hadrian's Wall Cavalry project discussed under project income.

Operating Costs

- Increase of £110,420 (6.5%) in operational staff related costs due to delays in the appointment of staff in 2014/15 while service reviews were completed and the outcome of the government's future funding for national parks remained uncertain. Operational staff costs are the biggest expenditure item for the Authority with a total cost of £1,802,021 this represents 72% of National Park grant.
- Decrease in staff holiday accrual £21,700 due to timing differences in staff taking their holidays.
- Increase of £3,348 in depreciation reflecting increases in capital investment over the past three years.
- Decrease of £95,080 in other non project costs, this reflects improvements to IT systems, start up costs for the Eastburn, Hexham Enterprise Hub, income generation advice, and the triennial visitor survey undertaken in 2014/15 along with other minor changes.

Total net operating expenditure, excluding the impact of asset revaluations and the IAS 19 pension adjustment was £2,344,110; this was a decrease of £11,470 on the previous year reflecting the cost savings and improved income generation detailed above.

Capital Expenditure and Assets Revaluations

During the year the Authority had capital expenditure of £2,153,536, full details are provided in note 23 of the accounts (Property Plant and Equipment).

A further investment of £7,527 was made in Intangible Assets as detailed in note 24 (Intangible Assets).

Following the success of the Eastburn, Hexham Enterprise Hub on its Head Office site the Authority invested in two new office pods at a cost of £33,166, following a revaluation of the pods there was a net increase in their asset value of £5,405.

Bulby's Wood Toilet block in the Ingram Valley was re-furbished at a total cost of £135,804 over the two financial years. Upon completion the site was revalued at £147,284 resulting in a revaluation gain of £11,840.

Pensions Reserve

The deficit on the Authority's Pension Reserve was decreased by £380,000 to £2,950,000 reflecting the latest actuarial statement as detailed in note 10 (Unusable Reserves). The Pension Reserve is a non cash reserve which reflects a long term funding issue to be resolved by all Local Authorities.

Usable and Earmarked Reserves

During the year the level of Usable Reserves increased by £445,325 to £2,494,793. The £445,325 movement reflects the Outturn Budget Net Expenditure of £2,041,346 (shown on page 32) less a £10,002 adjustment from revenue to balance the Capital Adjustment Account and less the years National Park Grant of £2,496,673. Of the £455,325 increase in Usable Reserves £96,406 increases the General Fund as revenue budget surplus and £348,919 is allocated to the Capital Grants Unapplied reserve being the surplus of The Sill capital funding over expenditure incurred in the year reflecting the experience in The Sill cost being lower than planned and receipt of grant aid higher than expected for the level of costs incurred.

The General Fund balance of £2,494,793 will reduce to £2,145,874 after the capital grants are applied (expected 2016/17) and would reduce further to £1,106,474 if all the Earmarked Reserves totalling £1,039,400 detailed in note 8 were utilised.

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. At the Northumberland National Park Authority, that officer is the Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the National Park Authority's Statement of Accounts in accordance with the proper practices set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The chief financial officer has also:

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

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 at the reporting date and its expenditure and income for the year ended 31st March 2016.

..... Chief Financial Officer

..... Date

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 2015. Thus an Annual Governance Statement is required for the year ending 31st March 2016. This needs to be produced alongside the Annual Accounts and be reviewed by the full Authority or a committee of the Authority. To assist this process the Finance and Audit Group (a working group and not a committee) discuss details with the relevant staff prior to consideration by the full Authority.

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, make arrangements to manage the risk, and to review its work to ensure that it is being delivered in an efficient and effective manner.

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. 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, the impact should they be realised, and to manage them efficiently, effectively and economically. Risk is managed within the framework and risk appetite set by the Authority.

The system of internal control has been in place for the year ended 31st March 2016 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 20 years, with a planned review after 5 years. The Management Plan was reviewed in 2015/16 and a new Plan was adopted by the Authority and the wider Management Plan Partnership in March 2016. The Management Plan sets out a vision and strategic aims for the National Park which are cascaded into outcomes and objectives for a 5 year period.

Each year the **National Park Management Plan Partnership** (consisting of key public bodies and other stakeholders) agrees a **National Park Management Plan Annual Action Plan** which sets the framework for the annual work programme for the Authority and informs the work programmes of partners.

3 Year Business Plan

A 3-year **Business Plan** is used to provide a medium term framework for the National Park Authority's work programmes to deliver its part of the National Park Management Plan on a

rolling three year basis.

The medium term Business Plan is set within the context of strategic aims of the National Park Management Plan. Following the decision to set a new National Park Management Plan in March 2016, the Authority is currently reviewing its priorities for the next 3 year Business Plan for the period 2017/18 to 2019/20 which also coincides with the last 3 years of the current government spending review in which the Authority's core grant has been set. The current Business Plan priorities were used to set an annual corporate plan whilst the Authority reviews its priorities in 2016/17. The new three year Business Plan will align with the Medium-Term Budget Plan which is also set across three years and agreed in March each year.

Corporate Plan (Annual Work Programme)

A **Corporate Plan** is prepared annually alongside the annual budget plan. It sets out the detailed annual work programme to deliver the Business Plan (and by extension the National Park Management Plan). These actions are then cascaded into individual manager and staff work plans.

Policy and decision making

All internal policy is made by the Full Authority Board. Policy development is led within the departments and this work is always sponsored by a Head of Department or the Chief Executive. The development of policy is assisted by member policy conferences and is supported and informed by task and finish working groups of members, staff and partners. Recently, the development of policy has been opened up to the National Park's Youth Cabinet to better take account of the needs of young people. These informal conferences and groups report their findings and advice to the National Park Authority at its formal meetings. Thus all the members of the Authority are able to take part in deciding policy. All key policy decisions are recorded in official and publicly available minutes.

Decision making is regulated by the Authority's Standing Orders, Scheme of Delegation, Financial Regulations and member and officer Codes of Conduct. The Scheme of Delegation is reviewed annually to ensure it is fit for purpose and takes account of legislative change.

The decision-making process benefits from high level legal and financial advice via the Chief Financial Officer, Monitoring Officer, internal audit service and external legal advisers and specialists. The Chief 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 **Strategic Risk Register**, which identifies areas of highest strategic risk again over the three year period of the Business Plan and Medium-Term Financial Plan. The Risk appetite is set by members of the Authority alongside the Three Year Business Plan; the risk items are reviewed annually and actions are incorporated, via the Corporate Plan, into work programmes including priority actions for senior managers. The management of the highest risks are reported to the Authority on a quarterly basis. In addition the Authority has separate programmes to address health and safety, local resilience, business continuity and equality. A Whistle Blowing Policy and an Anti Fraud and Corruption Statement are in place and due to be reviewed in 2016/17.

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 with advice from the Finance and Audit Group. The previous three years of internal audit have provided a very high level of reassurance across the Authority's key work streams. The Authority is re-prioritising its use of internal audit to focus less on the standard Internal Audit programme and instead to switch part of the resource into consultancy advice to improve strategic risk management and better take advantage of business opportunities which will improve the overall resilience of the Authority. This will assist the Authority with its key aim of being able to grow its operations and impact without necessarily requiring additional core government funding.

All new initiatives, which are outside of the annual Corporate Plan, are discussed by the Leadership Team before the project can be developed into a fully designed proposal. This control system allows new opportunities to be assessed against corporate targets and to assess their opportunity costs and benefits of reassigning resources to new initiatives.

Members routinely scrutinise work through Review Group meetings. This process provides a programme with a high level of internal support and challenge as part of the Authority's overall assurance framework, and as such is aligned with the Strategic Risk Register.

The proposed £15.3m Sill National Landscape Discovery Centre Project is supported by a team of external specialists, who regularly report to senior management and the Sill Project Board, which is made up of a small number of Authority Members, supported by senior managers from the Authority and professional advisers including the Youth Hostel Association. The Sill Project Board has delegated authority to take decisions and a full scheme of delegation is in place to provide strong and effective governance of this exceptional project.

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

Improvement Planning

The Authority's sponsoring department Defra has not required an external assessment of the Authority's use of resources since 2010. Since the last assessment the Authority has re-engineered its delivery model in response to the loss of 39.3% of core grant from Defra and in order to generate income from new sources including philanthropic funding. We understand that Defra has no plans to repeat in the same format previous external assessments of English National Park Authorities.

Efficiency

The Authority regularly market-tests many of its procured 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 2014/15 all bought-in professional services were subject to a mid-contract assessment after three years of operating the 6 year contracts and will continue through to 31st March 2018.

Salary and associated employment costs for non project staff are the most significant resource for the Authority accounting for 72% of National Park grant. The Authority aims to continually develop its staff and has been recognised as an Investor in People for over 15 years, with regular surveys showing increasingly enhanced levels of staff engagement. A new and more regular staff appraisal process was introduced in 2014/15 and found to be more effective than the predecessor. Following significant organisational change a new Organisation Development Strategy was agreed in March 2016 with 7 key principles. This is a strategic framework built following staff consultation which will assist the Authority to develop its workforce.

The Authority achieves many of its objectives working with others in the private, public and voluntary sectors. Sharing of costs and pooling of resources through partnership working has ensured exceptionally good value for money in areas such as land management and natural environment initiatives, cultural heritage, National Trail management, sustainable transport and projects to adapt to extremes in weather. The risks associated with partnerships are assessed on a case by case basis and higher levels of governance and control mechanism are in place where needed.

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 and Finance and Audit Group on significant financial matters including the three year Business Plan, 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 direct and unfettered 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 prioritised plan. Annual trading accounts are produced and used to scrutinise and challenge the effective performance of the commercially important Eastburn Enterprise Hub, Visitor Centre sales operation and the Hadrian's Wall car park charging scheme.

Monthly reports to all budget managers are provided and actively scrutinised. The Leadership Team reviews the budget quarterly with key issues being reported to members. A Finance and Audit Group consisting of members, the Head of Corporate Services and the Chief Finance Officer meet on a quarterly basis to discuss the key financial business of the Authority, including providing a steer from members on the budget strategy and scrutinising the detail of the half and full year financial performance before the formal report is issued to the Authority. All managers are required to keep up to date with their budget 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 reported quarterly 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.

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 vision as set out in the statutory National Park Management Plan. Performance

is publicly reported including through publication of an Annual Report and the Authority's website. Annually, the Authority's performance on some key measures is presented alongside that of the other English National Park Authorities in order to provide better context which in some cases is helpful.

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.

In 2016/17 the Authority will review the performance management framework to ensure the new Business Plan for 2017/18 to 2019/20 and the annual Corporate Plan include consistent and balanced / matrix performance reporting based on the prioritised work programmes.

Review of Effectiveness

The external auditors provide an annual management letter to the Authority following the annual audit. Issues raised within the letter are considered by the Authority and the Leadership Team to address any areas of weakness.

During the year the Leadership Team consider the findings of each internal audit report, agree the acceptance or otherwise of recommendations and approve the management response. The implementation of recommendations agreed are monitored on a regular basis. The Finance and Audit Group discuss the Annual Report which summarises the work undertaken in year before it is considered by the Authority annually each June.

Significant Internal Control Issues

Internal Audit reported on the following areas in 2015/16:

- Commercial Income / Income Generation
- Sill Project
- Key Financial Controls - Procurement
- Financial Planning

The internal auditors concluded the Authority has an adequate and effective framework for **Governance, Risk Management and Internal Control**. In detail, as a result of these audits and a follow-up audit of previous recommendations:

- 4 recommendations were categorised as low priority;
- 3 recommendations were categorised as medium priority; and
- 0 recommendations were made in the high priority category for the fifth year running.

All four internal audits provided the highest level of assurance possible and as a result 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

..... Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND NATIONAL PARK AUTHORITY

Opinion on the Authority's financial statements

We have audited the financial statements of the Northumberland National Park Authority for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- 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 Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Northumberland National Park Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Northumberland National Park Authority and the Northumberland National Park Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 11, 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 2015/16, 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. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND NATIONAL PARK AUTHORITY

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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Northumberland National Park Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBERLAND NATIONAL PARK AUTHORITY

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Northumberland National Park Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Northumberland National Park Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Northumberland National Park Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Northumberland National Park Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

*Nicola Wright (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Newcastle
14 September 2016*

Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2016

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
444,604	(76,729)	367,875	Conservation of Natural Environment	462,981	(71,442)	391,539
136,457	(8,307)	128,150	Conservation of Cultural Heritage	162,996	(88,489)	74,507
386,270	(339,805)	46,465	Recreation Management and Transport	419,441	(351,695)	67,746
954,139	(114,784)	839,355	Promoting Understanding	925,886	(464,261)	461,625
513,598	(23,418)	490,180	Rangers, Estates and Volunteers	465,832	(14,885)	450,947
241,490	(30,531)	210,959	Development Control	235,627	(41,680)	193,947
541,807	(61,561)	480,246	Forward Planning and Communities	302,092	(14,719)	287,373
370,772	(12,873)	357,899	Corporate Management and Administration	364,705	(8,588)	356,117
3,589,137	(668,008)	2,921,129	Cost of Services	3,339,560	(1,055,759)	2,283,801
			Other Operating Expenditure (note 2)	137,289	-	137,289
100,000	(20,764)	79,236	Financing and investment income and expenditure (Note 3)	100,000	(13,124)	86,876
-	(2,655,682)	(2,655,682)	Non specific grant income (Note 4)	-	(4,637,372)	(4,637,372)
		344,683	(Surplus) /Deficit on the Provision of services			(2,129,406)
		(37,373)	Revaluation gain on Land and Buildings revalued on the 31 st March 2016 (Note 23)			(16,885)
		520,000	Actuarial (gains)/ losses on Pension Fund assets and liabilities (Note 17)			(520,000)
		482,627	Other Comprehensive Income and Expenditure			(536,885)
		827,310	Total Comprehensive Income and Expenditure			(2,666,291)

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 2016.

The accounting policies and notes on pages 24 to 64 form an integral part of these financial statements.

..... Chief Financial Officer Date

Movement in Reserves Statement for the Year Ended 31st March 2016

	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
Balance as at 31 March 2014	991,155	1,348,800	-	2,339,955	(495,251)	1,844,704
Movement in Reserves during 2014/15						
Surplus / (Deficit) on the provision of services	(344,683)	-	-	(344,683)	-	(344,683)
Other comprehensive income and expenditure	-	-	-	-	(482,627)	(482,627)
Total comprehensive income and expenditure	(344,683)	-	-	(344,683)	(482,627)	(827,310)
Adjustments between accounting basis and funding basis under regulations (Note 7)	54,196	-	-	54,196	(54,196)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(290,487)	-	-	(290,487)	(536,823)	(827,310)
Transfers to/ from Earmarked Reserves (Note 8)	225,500	(225,500)	-	-	-	-
Increase/ (Decrease) in 2014/15	(64,987)	(225,500)	-	(290,487)	(536,823)	(827,310)
Balance as at 31 March 2015	926,168	1,123,300	-	2,049,468	(1,032,074)	1,017,394
Movement in Reserves during 2015/16						
Surplus / (Deficit) on the provision of services	2,129,406	-	-	2,129,406	10,002	2,139,408
Other comprehensive income and expenditure	-	-	-	-	536,885	536,885
Total comprehensive income and expenditure	2,129,406	-	-	2,129,406	546,887	2,676,293
Adjustments between accounting basis and funding basis under regulations (Note 7)	(2,033,000)	-	348,919	(1,684,081)	1,684,081	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	96,406	-	348,919	445,325	2,230,968	2,676,293
Transfers to/ from Earmarked Reserves (Note 8)	83,900	(83,900)	-	-	-	-
Increase/ (Decrease) in 2015/16	180,306	(83,900)	348,919	445,325	2,230,968	2,676,293
Balance as at 31 March 2016	1,106,474	1,039,400	348,919	2,494,793	1,198,894	3,963,687

The accounting policies and notes on pages 24 to 64 form an integral part of these financial statements.

Statement of Accounts 2015/16

Balance Sheet as at 31st March 2016

31 March 2015		Note	31 March 2016
£			£
2,322,322	Property, Plant and Equipment	23	4,255,098
20,706	Intangible Assets	24	16,396
2,343,028	Long Term Assets		4,271,494
8,946	Inventories	26	4,939
194,104	Short Term Debtors	27	427,027
1,287,804	Cash and Cash Equivalents	28	2,649,230
800,000	Short Term Investments	30	-
2,290,854	Current Assets		3,081,196
(286,488)	Short Term Creditors	29	(609,003)
(286,488)	Current Liabilities		(609,003)
-	Long Term Loan	31	(100,000)
(3,330,000)	Pensions Liability	17	(2,950,000)
(3,330,000)	Long Term Liabilities		(3,050,000)
1,017,394	Net Assets / (Liabilities)		3,693,687
2,049,468	Usable reserves	9	2,494,793
(1,032,074)	Unusable reserves	10	1,198,894
1,017,394	Total Reserves		3,693,687

The above Balance Sheet presents a true and fair financial position of the Authority as at 31st March 2016.

The accounting policies and notes on pages 24 to 64 form an integral part of these financial statements.

..... Chief Financial Officer

..... Date

Cash Flow Statement for the Year Ended 31st March 2016

2014/15		2015/16
£		£
344,683	Net (Surplus) / Deficit on the provision of services	(2,129,406)
(251,772)	Adjustments to net surplus on the provision of services for non-cash movements (Note 11)	(138,911)
137,330	Adjustments for items included in the net surplus or deficit on the provision of services that are investing activities	2,006,417
230,241	Net cash flows from Operating Activities (Note 12)	(261,900)
(466,860)	Investing Activities (Note 13)	(999,526)
-	Financing Activities (Note 14)	(100,000)
(236,619)	Net (Increase) / Decrease in cash and cash equivalents	(1,361,426)
1,051,185	Cash and cash equivalents at the beginning of the reporting period	1,287,804
1,287,804	Cash and cash equivalents at the end of the reporting period (Note 28)	2,649,230

The accounting policies and notes on pages 24 to 64 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 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, 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 classified into the following groups, as required by the Code of Practice on Local Authority Accounting 2015/16 issued by CIPFA:

- Land and Buildings are valued on the basis of the Code issued by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Land and Buildings are re-valued every 5 years, or earlier if individual items have a significant change that could impact on their valuation.
- Surplus Land and Buildings are valued on an Existing Use Value as recommended in the Code issued CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors;
- Plant and Equipment - included in the Balance Sheet at the lower of net current replacement cost and net realisable value in their existing use;
- Assets Under Construction are measured at historical cost and are transferred to the relevant asset category when they are deemed complete.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the 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 at valuation or cost less residual value, divided by the estimated useful life of the asset. The useful lives of buildings range between 10 - 50 years and are based on details advised by independent valuers. Equipment useful lives range from 3 – 10 years depending on the type of asset. The charge is time-apportioned in the year of acquisition.

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); 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 assets 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 at 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 Accounting 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 2016.

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.

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.

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 is 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; and
- 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.

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income & Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Authority's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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 Short Term Investments of which none were held in 2015/16 (2014/15 - a one year Fixed Term Deposit totalling £800,000).

Financial assets represented by the fixed term deposits are initially recognised at fair value and then subsequently 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.

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

Amendments to the 2016/17 Code of Practice on Local Authority Accounting have been reviewed and are not considered to be relevant or are immaterial to the Authority.

2. Other Operating Expenditure

2014/15	2015/16
£	£
- Gains/ (losses) on the disposal of non current assets	(137,289)
- Total	(137,289)

3. Financing and Investment income and expenditure

2014/15	2015/16
£	£
100,000 Net interest on the net defined liability / (asset)	100,000
(20,764) Interest receivable	(13,124)
79,236 Total	86,876

4. Non Specific Grant income

2014/15	2015/16
£	£
(2,540,862) National Park Grant *	(2,496,673)
(114,820) Capital Grants and Contributions	(2,140,699)
(2,655,682) Total	(4,637,372)

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

5. Cost of Services income

2014/15		2015/16
£		£
(309,012)	External grants	(640,719)
(358,996)	Sales, fees and charges	(415,040)
(668,008)	Total	(1,055,759)

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

6. 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, 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; and
- 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:

2015/16	Sales, Fees and Charges £	Grants £	Total Income £	Employee Expenses £	Service Expenses £	Total Expenditure £	Net Expenditure £
Conservation of the Natural Environment	(27,685)	(31,757)	(59,442)	213,262	70,916	284,178	224,736
Conservation of the Cultural Heritage	(5,518)	(79,971)	(85,489)	41,113	90,657	131,770	46,281
Recreation Management and Transport	(299,811)	(147,884)	(447,695)	141,525	451,423	592,948	145,253
Promoting Understanding	(69,154)	(2,518,806)	(2,587,960)	385,516	2,061,687	2,447,203	(140,757)
Rangers, Estates and Volunteers	(8,885)	-	(8,885)	266,453	42,450	308,903	300,018
Development Control	(34,680)	-	(34,680)	113,920	30,893	144,813	110,133
Forward Planning and Communities	(6,719)	-	(6,719)	154,635	31,278	185,913	179,194
Management and Administration	(75,712)	(3,000)	(78,712)	751,507	503,693	1,255,200	1,176,488
Total Surplus / (Deficit)	(528,164)	(2,781,418)	(3,309,582)	2,067,931	3,282,997	5,350,928	2,041,346

2014/15	Sales, Fees and Charges £	Grants £	Total Income £	Employee Expenses £	Service Expenses £	Total Expenditure £	Net Expenditure £
Conservation of the Natural Environment	(6,366)	(52,363)	(58,729)	198,322	43,660	241,982	183,253
Conservation of the Cultural Heritage	(226)	(2,081)	(2,307)	55,243	23,334	78,577	76,270
Recreation Management and Transport	(172,453)	(160,352)	(332,805)	97,382	209,960	307,342	(25,463)
Promoting Understanding	(52,395)	(41,389)	(93,784)	265,770	421,862	687,632	593,848
Rangers, Estates and Volunteers	(9,418)	0	(9,418)	265,937	59,528	325,465	316,047
Development Control	(21,531)	0	(21,531)	121,166	15,711	136,877	115,346
Forward Planning and Communities	(14,388)	(35,173)	(49,561)	153,407	249,660	403,067	353,506
Management and Administration	(102,983)	(132,474)	(235,457)	852,042	601,957	1,453,999	1,218,542
Total Surplus / (Deficit)	(379,760)	(423,832)	(803,592)	2,009,269	1,625,672	3,634,941	2,831,349

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

2014/15		2015/16
£		£
2,831,349	Net Expenditure in the breakdown of the Outturn Budget Report Analysis	2,041,346
(180,094)	Remove capital expenditure capitalised in the financial statements but included in the outturn budget report	(2,161,063)
(300,000)	Remove employers' cash pension contributions included in the outturn budget report but not included in the financial statements	(310,000)
114,820	Remove capital income included in the outturn budget report but capitalised in the financial statements	2,140,699
-	Remove capital loan income included in the outturn budget report but added to Long Term Liabilities in the financial statements	100,000
20,764	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)	13,124
290,000	Include employers pension contributions accrued in the financial statements but excluded from the outturn budget report	350,000
9,200	Include increase/ (decrease) of employee accrual for leave	(12,500)
106,165	Include depreciation charges on non-current assets included in the financial statements but excluded from the outturn budget report	100,355
2,680	Include amortisation of intangible assets included in the financial statements but excluded from the outturn budget report	11,838
26,245	Include impairment charges included in the financial statements but excluded from the outturn budget report	-
-	Other adjustments between the General Fund and Capital Adjustment Account	10,002
2,921,129	Cost of Services in the Comprehensive Income and Expenditure Statement	2,283,801

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.

2015/16	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 reappportioned management and admin costs £	Amounts reported below the Cost of Services in the CIES £	Total £
Sales, fees, loans and charges	(515,040)	100,000	-	-	-	(415,040)
Interest and Investment Income	(13,124)	13,124	-	-	(13,124)	(13,124)
National Park Grant	-	-	-	-	(2,496,673)	(2,496,673)
External grants and contributions	(640,719)	-	-	-	-	(640,719)
Capital Grants and Donated Assets	(2,140,699)	2,140,699	-	-	(2,140,699)	(2,140,699)
Total Income	(3,309,582)	2,253,823	-	-	(4,650,496)	(5,706,255)
Employee Expenses	2,067,931	(310,000)	337,500	599,200	100,000	2,794,631
Other Service Expenses	3,282,997	(2,161,063)	10,002	302,700	-	1,434,636
Reapportion management & admin costs	-	-	-	(901,900)	-	(901,900)
Depreciation, amortisation and impairment	-	-	112,193	-	-	112,193
(Gains)/ losses on disposal of non-current assets	-	-	137,289	-	-	137,289
Total Expenditure	5,350,928	(2,471,063)	596,984	-	100,000	3,576,849
(Surplus)/Deficit on the Provision of Services	2,041,346	(217,240)	596,984	-	(4,550,496)	2,129,406

2014/15	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 £	Total £
Sales, fees and charges	(358,996)	-	-	-	-	(358,996)
Interest and Investment Income	(20,764)	20,764	-	-	(20,764)	(20,764)
National Park Grant	-	-	-	-	(2,540,862)	(2,540,862)
External grants and contributions	(309,012)	-	-	-	-	(309,012)
Capital Grants and Donated Assets	(114,820)	114,820	-	-	(114,820)	(114,820)
Total Income	(803,592)	135,584	-	-	(2,676,446)	(3,344,454)
Employee Expenses	2,009,269	(300,000)	299,200	(714,900)	100,000	1,393,569
Other Service Expenses	1,625,672	(180,094)	-	(332,800)	-	1,112,778
Reapportion management & admin costs	-	-	-	1,047,700	-	1,047,700
Depreciation, amortisation and impairment	-	-	135,090	-	-	135,090
Total Expenditure	3,634,941	(480,094)	434,290	-	100,000	3,689,137
(Surplus)/Deficit on the Provision of Services	2,831,349	(344,510)	434,290	-	(2,576,446)	344,683

7. 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.

2015/16	Usable Reserves		
	General Fund Balance (£)	Capital Grants Unapplied (£)	Movement in Unusable Reserves (£)
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation of non-current assets	100,355	-	(100,355)
Charges for impairment of non-current assets	-	-	-
Amortisation of intangible assets	11,838	-	(11,838)
Capital grants and contributions applied	(1,791,780)		1,791,780
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	137,289		(137,289)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital Expenditure charged against the General Fund Balance	(269,283)		269,283
Adjustments primarily involving the Capital Grants Unapplied Account:			
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(348,919)	348,919	-
Adjustment primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	450,000		(450,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(310,000)		310,000
Adjustment primarily involving the Accumulated Absences Account:			
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	(12,500)		12,500
Total Adjustments	(2,033,000)	348,919	1,684,081

2014/15	Usable Reserves		
	General Fund Balance (£)	Capital Grants Unapplied (£)	Movement in Unusable Reserves (£)
Adjustment primarily involving the Capital Adjustment Account:			
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation of non-current assets	106,165	-	(106,165)
Charges for impairment of non-current assets	26,245	-	(26,245)
Amortisation of intangible assets	2,680	-	(2,680)
Capital grants and contributions applied	(114,820)	-	114,820
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital Expenditure charged against the General Fund Balance	(65,274)	-	65,274
Adjustment primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	390,000	-	(390,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(300,000)	-	300,000
Adjustment primarily involving the Accumulated Absences Account:			
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	9,200	-	(9,200)
Total Adjustments	54,196	-	(54,196)

8. Transfers to/ (from) Earmarked Reserves

	Balance at 1 st April 2015	Transfers out 2015/16	Transfers in 2015/16	Balance at 31 st March 2016
2015/16	£	£	£	£
IT Capital Replacements	75,000	(60,000)	-	15,000
Planning Contingency	150,000	-	-	150,000
Eastburn Boiler Replacement	80,000	-	-	80,000
Legacy Donation Fund	72,800	(23,900)	-	48,900
Sill Phase 2 Investment	295,500	-	-	295,500
Sill phase 2 Working Balances	450,000	-	-	450,000
Total Earmarked Reserves	1,123,300	(83,900)	-	1,039,400

Transfer as per Movement in Reserves Statement £ 83,900

	Balance at 1 st April 2014	Transfers out 2014/15	Transfers in 2014/15	Balance at 31 st March 2015
2014/15	£	£	£	£
Visitor Centre Refurbishment	73,800	(73,800)	-	-
IT Capital Replacements	75,000	-	-	75,000
Planning Contingency	150,000	-	-	150,000
Bulby's Wood	150,000	(150,000)	-	-
Eastburn Boiler Replacement	-	-	80,000	80,000
Legacy Donation Fund	-	-	72,800	72,800
Sill Phase 2 Investment	250,000	-	45,500	295,500
Sill Phase 2 Working Balances	600,000	(150,000)	-	450,000
Temporary Visitor Centre Hadrian's Wall	50,000	(50,000)	-	-
Total Earmarked Reserves	1,348,800	(423,800)	198,300	1,123,300

Transfer as per Movement in Reserves Statement £225,500

Further details on the purpose of each earmarked reserve are given below.

IT Capital Replacements

The earmarked reserve is to cover the future capital replacement cost of the Authority's IT capital equipment and infrastructure where the timing of future investment and the pace of technology improvements is too uncertain to include as a specific budget cost in the three year Business Plan.

Planning Contingency

The earmarked reserve is to cover the potential future legal costs of challenging or defending major planning decisions where it is not possible to know what might happen over the three year Business Plan period.

Eastburn Boiler

The hot water and central heating boiler at the Eastburn site is reaching the end of its economic life. The Authority has approved an earmarked reserve of £80,000 to cover the replacement of the boiler and improvements to the heating system in order to reduce operating costs and carbon omissions.

Legacy Donation Fund

The Authority has been the recipient of two legacies totalling £72,800, which have been placed in an earmarked reserve by the Authority as it wants to use the amounts received to fund projects that are appropriate to the donor's interests. £23,900 was released during 2015/16 to match fund Arts related projects. When other suitable projects come forward for approval the funds will be released from the earmarked reserve. The two legacies did not impose any restriction on how the funds could be used.

Sill Phase 2 Investment

As part of the overall Sill project the Authority is committed to a cash contribution of £295,500. This is budgeted to be released to the general fund during 2016/17.

Sill Phase 2 Working Balances

The reserve of £450,000 provides a 5% contingency to cover unplanned construction and fit out costs on the new building; this is in addition to normal contingencies contained within the detailed project costs. £200,000 is budgeted to be released to the general fund during 2016/18 to fund design changes.

9. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement, Note 7 and the table below.

2014/15		2015/16
£		£
2,339,955	Opening Balance	2,049,468
(344,683)	Surplus / (Deficit) on the Provision of Services	2,129,406
54,196	Adjustments between accounting and funding basis (Note 7)	(1,684,081)
2,049,468	Total Usable Reserves	2,494,793

10. Unusable Reserves

2014/15		2015/16
£		£
875,384	Revaluation Reserve	880,248
1,457,642	Capital Adjustment Account	3,291,246
(3,330,000)	Pensions Reserve	(2,950,000)
(35,100)	Accumulated Absences Account	(22,600)
(1,032,074)	Total Unusable Reserves	1,198,894

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;
- Disposed of and the gains are realised.

The reserve only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date were consolidated into the balance on the capital adjustment account.

The revaluation reserve during the year was increased by £16,885 to reflect the net valuation gain on assets following the revaluation of the Authority's two new pods at the Eastburn, Hexham Enterprise Hub and the Bulby's Wood site in August 2016.

2014/15		2015/16
£		£
847,474	Balance at 1 April	875,384
(9,463)	Difference between fair value depreciation and historical cost depreciation	(12,021)
37,373	Upward revaluation of assets	16,885
-	Downward revaluation of assets	-
37,373	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	16,885
875,384	Balance at 31 March	880,248

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 recognised 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 7 provides the detail of all transactions posted to the Capital Adjustment Account, other than the adjusting amounts written out of the Revaluation Reserve.

2014/15		2015/16
£		£
1,403,175	Balance at 1 April	1,457,642
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(106,165)	• Charges for depreciation of non-current assets	(100,355)
(26,245)	• Net revaluation gains and (charges for impairment) of non-current assets	-
(2,680)	• Amortisation of intangible assets	(11,838)
-	• 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	(137,289)
(135,090)		(249,482)
9,463	Adjusting amounts written out of the Revaluation Reserve	12,021
(125,627)	Net written out amount of the cost of non-current assets consumed in the year	(237,461)
	Capital financing applied in the year:	
65,274	• Capital Expenditure charged against the General Fund Balance	269,283
114,820	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,791,780
-	• Other adjustments between the General Fund and Capital Adjustment Account	10,002
180,094		2,071,065
1,457,642	Balance at 31 March	3,291,246

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 come to be paid.

2014/15 £		2015/16 £
(2,720,000)	Balance at 1 April	(3,330,000)
(520,000)	Actuarial gains or (losses) on pensions assets and liabilities	520,000
(390,000)	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	(450,000)
300,000	Employer's pensions contributions and direct payments to pensioners payable in the year	310,000
(3,330,000)	Balance at 31 March	(2,950,000)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for holidays or other 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.

2014/15 £		2015/16 £
(25,900)	Balance at 1 April	(35,100)
25,900	Cancellation of accrual made at the end of the preceding year	35,100
(35,100)	Amounts accrued at the end of the current year	(22,600)
(9,200)	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	12,500
(35,100)	Balance at 31 March	(22,600)

11. Cash Flow Statement – Non Cash Movements

2014/15		2015/16
£		£
(106,165)	Depreciation Property Plant and Equipment	(100,355)
(2,680)	Amortisation Intangible Assets	(11,838)
(26,245)	Impairment Property Plant and Equipment	-
-	Movement between general fund and Capital Adjustment Account	(10,002)
-	Gains/ (losses) on the disposal of non current assets	(137,289)
(90,000)	IAS19 charges for Retirement Benefits	(140,000)
	<u>Items on an accruals basis:</u>	
(545)	• Decrease in stock	(4,007)
(107,088)	• (Increase)/ Decrease in Debtors	232,923
71,327	• (Increase)/ Decrease in Creditors	(322,515)
9,624	• Increase in Capital Accruals	354,172
(251,772)	Total Non Cash Movements	(138,911)

12. Cash Flow Statement – Operating Activities

2014/15		2015/16
£		£
1,846,583	Cash paid to and on behalf of employees	1,927,491
1,671,753	Operating cash payments	1,301,521
(2,540,862)	National Park Grant	(2,496,673)
(377,854)	Other external revenue grants	(537,924)
(339,656)	Other operating cash receipts	(438,898)
(29,723)	Bank interest received	(17,417)
230,241	Total cash flow from Operating Activities	(261,900)

13. Cash Flow Statement – Investing Activities

2014/15		2015/16
£		£
170,470	Cash paid to purchase property, plant and equipment	1,806,892
(137,330)	Cash inflow Capital Grants	(2,006,418)
(1,300,000)	Maturing fixed term bonds	(800,000)
800,000	Investment of funds in one year fixed term bonds	-
(466,860)	Total cash flow from Investing Activities	(999,526)

14. Cash Flow Statement – Financing Activities

2014/15	2015/16
£	£
- Cash receipts of long-term borrowing	(100,000)
- Net cash flows from Financing Activities	(100,000)

15. Officers' Remuneration

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

		Salary/ Fees, and Allowances £	Pension Contribution £	Total £
Chief Executive (National Park Officer)*	2015/16	87,543	13,219	100,762
	2014/15	75,657	11,424	87,081
Head of Corporate Services and Monitoring Officer	2015/16	52,142	7,873	60,015
	2014/15	51,608	7,760	59,368

* A pay-rise of £5,943 per annum was approved for the Chief Executive post 2014/15 year end by the full Authority, in June 2015, to be effective from 1 April 2014. Therefore a one-off backdated payment was made in July 2015 and the 2015/16 figure above includes £5,943 of salary cost and £897 pension contribution relating to 2014/15.

The number of employees (including the Chief Executive) whose remuneration, excluding pension contributions that fell in each £5,000 band over £50,000 was:

2014/15		2015/16	
1	£50,000 - £54,999	1	
-	£55,000 - £59,999	-	
-	£60,000 - £64,999	-	
-	£65,000 - £69,999	-	
-	£70,000 - £74,999	-	
1	£75,000 - £79,999	-	
-	£80,000 - £84,999	1	

The number of exit packages with total costs per band are set out in the table below. Note there were no compulsory redundancies.

Exit package cost band	Total number of exit packages per cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16
£0 - £30,000	2	-	£34,366	-

16. Audit Costs

In 2015/16 Northumberland National Park Authority incurred the following fees relating to external audit:

2014/15		2015/16
£		£
11,568	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor	11,568
(1,189)	Audit Commission direct rebate of fees	-
10,379		11,568

17. Pensions

Introduction

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") and related unfunded liabilities which have been included in the disclosure where appropriate.

The LGPS is a funded defined benefit plan with benefits earned up to March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

The unfunded pension arrangements relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations.

Funding / Governance Arrangements of 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 pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. An actuarial valuation of the Fund will be carried out at 31 March 2016 and as part of that valuation a new Rates and Adjustment Certificate will be produced for the period three year period from 1 April 2017.

The Fund Administering Authority, Northumberland County Council is responsible for the governance of the Fund.

Key assumptions

	31 st March 2016	31 st March 2015	31 st March 2014
	% p.a.	% p.a.	% p.a.
Discount rate	3.5%	3.3%	4.3%
RPI Inflation	2.9%	3.0%	3.4%
CPI Inflation	1.8%	1.9%	2.4%
Pension Increases	1.8%	1.9%	2.4%
Pension accounts revaluation rate	1.8%	1.9%	n/a
Salary increases	3.3%	3.4%	3.9%

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.

Mortality assumption

	31 st March 2016	31 st March 2015
<u>Males</u>		
Member aged 65 at accounting date	23.1	23.0
Member aged 45 at accounting date	25.3	25.2
<u>Females</u>		
Member aged 65 at accounting date	25.6	25.5
Member aged 45 at accounting date	28.0	27.8

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Asset Allocation

	Value at 31st March 2016			Value at 31st March 2015	Value at 31st March 2014
	Quoted £m	Unquoted £m	Total £m	Total £m	Total £m
Equities	6.69	0.58	7.27	7.26	6.34
Property	0.53	-	0.53	0.47	0.41
Govt. bonds	1.66	-	1.66	1.87	1.60
Corporate bonds	0.95	-	0.95	0.94	0.89
Cash	0.04	-	0.04	0.01	-
Other	-	0.33	0.33	0.13	0.10
Total	9.87	0.91	10.78	10.68	9.34

The fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer value payment).

Reconciliation of funded status to Balance Sheet

	31st March 2016 £m	31st March 2015 £m	31st March 2014 £m
Fair value of assets	10.78	10.68	9.34
Present value of funded defined benefit obligation	(13.61)	(13.88)	(11.94)
Present value of unfunded defined benefit obligation	(0.12)	(0.13)	(0.12)
Asset / (liability) recognised on the Balance Sheet	<u>(2.95)</u>	<u>(3.33)</u>	<u>(2.72)</u>

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	40%
Deferred Pensioners	25%
Pensioners	35%

Breakdown of amounts recognised in the Surplus or Deficit on the Provision of Services and Other Comprehensive Income (OCI)

	For the year ended 31st March 2016 £m	For the year ended 31st March 2015 £m
Operating cost		
Current service cost*	0.35	0.28
Past service cost – incl. Curtailments	0.00	0.01
Financing Cost		
Interest on net defined liability / (asset) – funded pension scheme	0.10	0.10
Interest on net defined liability / (asset) – unfunded pension scheme	-	-
Pension expense recognised in the Surplus or Deficit on the Provision of Services	<u>0.45</u>	<u>0.39</u>
Remeasurements in Other Comprehensive Income		
Return on plan assets (in excess of) / below that recognised in net interest	0.46	(0.74)
Actuarial (gains) / losses due to changes in financial assumptions – funded pension scheme	(0.84)	1.32
Actuarial (gains) / losses due to changes in financial assumptions - unfunded pension scheme	-	0.02
Actuarial (gains) / losses due to changes in demographic assumptions	-	-
Actuarial (gains) / losses due to liability experience	(0.14)	(0.08)
Total Amount recognised in Other Comprehensive Income	<u>(0.52)</u>	<u>0.52</u>
Total Amount recognised	<u>(0.07)</u>	<u>0.91</u>
* Allowance for administration expenses included in current service cost (£M)	0.01	0.01

Changes to the present value of the defined benefit obligation- funded pension scheme

	For the year ended 31st March 2016 £m	For the year ended 31st March 2015 £m
Opening defined benefit obligation	13.88	11.94
Current service cost	0.35	0.28
Interest expense on defined benefit obligation	0.46	0.51
Contributions by participants	0.10	0.09
Actuarial (gains) / losses due to changes in financial assumptions	(0.84)	1.32
Actuarial (gains) / losses due to changes in demographic assumptions	-	-
Actuarial (gains) / losses due to liability experience	(0.14)	(0.08)
Net benefits paid out #	(0.20)	(0.19)
Past service cost (incl. curtailments)	-	0.01
Closing present value of liabilities	13.61	13.88

Consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses.

Changes to the present value of the defined benefit obligation- unfunded pension scheme

	For the year ended 31st March 2016 £m	For the year ended 31st March 2015 £m
Opening defined benefit obligation	0.13	0.12
Interest expense on defined benefit obligation	-	-
Actuarial (gains) / losses due to changes in financial assumptions	-	0.02
Net benefits paid out	(0.01)	(0.01)
Closing present value of liabilities	0.12	0.13

Changes to the fair value of assets during the accounting period

	For the year ended 31st March 2016 £m	For the year ended 31st March 2015 £m
Opening fair value of assets	10.68	9.34
Interest income on assets	0.36	0.41
Remeasurement gains / (losses) on assets	(0.46)	0.74
Contributions by the employer	0.30	0.29
Contributions by participants	0.10	0.09
Net benefits paid out	(0.20)	(0.19)
Closing fair value of assets	10.78	10.68

Actual return on assets

	For the year ended 31st March 2016	For the year ended 31st March 2015
	£m	£m
Interest income on assets	0.36	0.41
Remeasurement gain / (loss) on assets	(0.46)	0.74
Actual return on assets	(0.10)	1.15

The Authority's contributions to the fund for the accounting period ending 31 March 2016 are estimated to be £0.31m. In addition unfunded benefits paid by the Authority directly to beneficiaries were £0.01m in 2015/16 and is expected to be £0.01m for the accounting period ending 31 March 2017.

Risks associated with the Fund in relation to accounting

Asset Volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform, this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

Inflation Risk

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting Employees

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2016 and the projected service cost for the year ending 31st March 2017 is set out below.

In each case, only the assumption mentioned is altered, all the other assumptions remain the same and are summarised above.

Sensitivity of the unfunded benefits has not been included on the basis of materiality.

Funded LGPS Benefits

Discount rate assumption

	+0.1% pa	Base Figure	-0.1% pa
Adjustment to discount rate			
Present value of total obligation (£M's)	13.34	13.61	13.89
% change in present value of total obligation	-2.0%		2.1%
Projected service cost (£M's)	0.32	0.33	0.34
Approximate % change in projected service cost	-3.3%		3.4%

Rate of general increases in salaries

	+0.1% pa	Base Figure	-0.1% pa
Adjustment to salary increase rate			
Present value of total obligation (£M's)	13.67	13.61	13.55
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M's)	0.33	0.33	0.33
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

	+0.1% pa	Base Figure	-0.1% pa
Adjustment to pension increase rate			
Present value of total obligation (£M's)	13.83	13.61	13.39
% change in present value of total obligation	1.6%		-1.6%
Projected service cost (£M's)	0.34	0.33	0.32
Approximate % change in projected service cost	3.4%		-3.3%

Post retirement mortality assumption

	- 1 year	Base Figure	+ 1 year
Adjustment to mortality age rating assumption*			
Present value of total obligation (£M's)	14.95	13.61	13.27
% change in present value of total obligation	2.5%		-2.5%
Projected service cost (£M's)	0.34	0.33	0.32
Approximate % change in projected service cost	3.3%		-3.4%

* A rating of + 1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

18. Members Allowances

The total Northumberland National Park Authority Members allowances paid in the year was £39,120 (2014/15 £39,841).

The total Northumberland National Park Authority Members travel and subsistence paid in the year was £8,614 (2014/15 £8,024).

19. Financial commitments

Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2015/16 was £42,906 (2014/15 £51,216).

As at the balance sheet date, 31st March 2016, the National Park Authority had total future minimum lease payments under non-cancellable leases of £60,488 (31st March 2015 £49,989):

	31st March 2016		31st March 2015	
	Land and Buildings £	Vehicles £	Land and Buildings £	Vehicles £
Operating leases:				
Payments due within one year	-	36,310	-	28,198
Payments due within two and five years	-	24,178	-	21,791
	-	60,488	-	49,989

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.

20. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2015/16, with amounts over £10,000 only shown:

Credited to Taxation and Non Specific Grant Income

2014/15 £		2015/16 £
	<u>For The Sill: National Landscape Discovery Centre</u>	
-	Heritage Lottery Fund (Capital element)	700,629
-	Rural Local Growth Fund	1,000,000
-	Northumberland National Park Foundation	275,000
-	Wolfson Foundation	65,000
-	Ballinger Charitable Trust	50,000
-	Youth Hostel Association	44,570
-	Other Capital Grants each under £10,000	5,500
	<u>For the Rural Hubs Project</u>	
114,820	Rural Growth Network Funds – Eastburn, Hexham Enterprise Hub Project	-
114,820	Total	2,140,699

Credited to Services

2014/15		2015/16
£		£
	- Heritage Lottery Fund – The Sill: National Landscape Discovery Centre (Revenue element)	354,967
101,579	Natural England – Hadrian’s Wall National Trail	114,900
11,250	Northumberland County Council – Hadrian’s Wall National Trail	15,000
15,000	Cumbria County Council – Hadrian’s Wall National Trail	5,000
	- The Arts Council – Hadrian’s Wall Cavalry	79,971
11,500	The Arts Council – Sill Arts Project	23,110
	- Natural England – Peatland Restoration	30,000
27,173	Rural Development Programme for England – Leader Transition Support	-
12,654	Rural Growth Network Funds – Eastburn, Hexham Enterprise Hub Project (Revenue Support)	-
20,000	Natural England – Border Uplands Co-ordination	-
20,000	Northumberland County Council – Sill Trail Activities	-
16,500	Durham County Council – Sandstone Way Cycle Route	-
73,356	Other Revenue Grants each under £10,000	17,771
309,012	Total	640,719

The Authority may receive a number of grants, contributions and donations that are not yet recognised as income as they might have conditions attached to them that will require the monies or property to be returned to the giver. The items at year end are:-

2014/15		2015/16
£		£
25,000	The Arts Council – Sill Arts Project	21,890
17,570	Natural England – Cheviot Hill Tracks	17,570
18,048	Other Revenue Grants each under £10,000	8,764
60,618	Total	48,224

21. 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 4 sets out the amount of “National Park Grant” received during the year 2015/16.

Members

Members of the Authority have direct control over the Authority’s financial and operating policies. The total of members’ allowances paid in 2015/16 is shown in Note 18. Community and Sustainable Development Fund grants or invoices for the procurement of goods and services were paid to a number of 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 eighteen Authority members who served during the year, six were 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 2015/16. Details are set out in the following table.

Payments to related parties		Payments to related party 2014/15	Due to related party at 31.3.15	Payments to related party 2015/16	Due to related party at 31.3.16
	Nature of relationship	£	£	£	£
Northumberland County Council	a.	49,784	8,860	33,847	24,507
Bardon Mill & Henshaw Village Hall	b.	-	-	95	170
Elsdon Village Hall Trust	b.	-	-	30	-
Glendale Agricultural Society	b.	11,550	-	11,920	-
Glendale Gateway Trust	b.	75	-	120	-
Greenhead Village Hall	b.	787	-	50	-
Harbottle Show	b.	-	-	100	-
Hexham Auction Mart Company Ltd	b.	-	-	180	-
Kirknewton Village Hall	b.	-	-	32	-
Tarset Village Hall	b.	424	70	85	-
Tynedale Agricultural Society	b.	16	-	697	-
North Tyne & Redesdale Community Partnership	b.	850	-	-	-
Thropton Village First School	b.	2,925	-	-	-

Receipts from related parties		Receipts from related party 2014/15	Due from related party at 31.3.15	Receipts from related party 2015/16	Due from related party at 31.3.16
	Nature of relationship	£	£	£	£
Northumberland County Council (includes grants administered by Northumberland as the accountable body)	a.	253,058	18,486	1,032,792	5,557

Nature of relationship:

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

22. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2014/15		2015/16
£		£
	- Opening Capital Financing Requirement	-
	<u>Capital Investment</u>	
153,547	Land and Buildings	455,782
	- Plant, Furniture and Equipment	55,936
12,094	Assets Under Construction	1,641,818
14,453	Intangible Assets	7,527
180,094		2,161,063
	<u>Sources of Finance</u>	
(114,820)	Government Grants and other contributions	(1,791,780)
(65,274)	Direct Revenue Contributions	(269,283)
	- Closing Capital Financing Requirement	100,000
		-
	Explanation of movements in year	-
	- Expenditure financed from new external borrowing (not supported by government financial assistance)	100,000
	- Increase in Capital Financing Requirement	100,000

23. Property, Plant and Equipment**Movements in Property, Plant and Equipment during 2014/15:**

	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Assets Under Construction £	Total £
Cost / valuation as at 1st April 2014	2,107,899	71,178	361,505	52,214	2,592,796
Movement in assets under construction	52,214	-	-	(52,214)	-
Reclassification	-	-	-	-	-
Additions	153,547	-	-	12,094	165,641
De-recognition & Disposals	-	-	(14,902)	-	(14,902)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	37,373	-	-	-	37,373
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(131,867)	-	-	-	(131,867)
Cost / Valuation as at 31st March 2015	2,219,166	71,178	346,603	12,094	2,649,041
Accumulated Depreciation as at 1st April 2014	65,837	1,438	273,803	-	341,078
Reclassification	-	-	-	-	-
Depreciation Charge	65,426	719	40,020	-	106,165
De-recognition & Disposals	-	-	(14,902)	-	(14,902)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(105,622)	-	-	-	(105,622)
Accumulated depreciation as at 31 March 2015	25,641	2,157	298,921	-	326,719
Net Book Value as at 31st March 2014	2,042,062	69,740	87,702	52,214	2,251,718
Net Book Value as at 31st March 2015	2,193,525	69,021	47,682	12,094	2,322,322

Additions to Property, Plant and Equipment, have been financed through revenue and capital grants in 2014/15.

Following the completion of investment in the Eastburn, Hexham Enterprise Hub both the Authority's administrative offices and the Enterprise Hub, were re-valued as at the 31st March 2015. The re-valuations were carried out by James Ramsey, MRICS BSc (Hons) a Senior Surveyor of Newcastle City Council. The valuation was performed in accordance with the regulations set out by the International Financial Reporting Standards (IFRS) using the valuation methodology applicable to the asset classification.

Movements in Property, Plant and Equipment during 2015/16:	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Assets Under Construction £	Total £
Cost / Valuation as at 31st March 2015	2,219,166	71,178	346,603	12,094	2,649,041
Movement in assets under construction	12,094	-	-	(12,094)	-
Reclassification	-	-	-	-	-
Additions	455,782	-	55,935	1,641,818	2,153,535
De-recognition & Disposals	(136,750)	-	(207,854)	-	(344,604)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	16,885	-	-	-	16,885
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-
Cost / Valuation as at 31st March 2016	2,567,177	71,178	194,684	1,641,818	4,474,857
Accumulated depreciation as at 31 March 2015	25,641	2,157	298,921	-	326,719
Reclassification					
Depreciation Charge	67,665	719	31,971	-	100,355
De-recognition & Disposals	(9,686)	-	(197,629)	-	(207,315)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-
Accumulated depreciation as at 31 March 2016	83,620	2,876	133,263	-	219,759
Net Book Value as at 31st March 2015	2,193,525	69,021	47,682	12,094	2,322,322
Net Book Value as at 31st March 2016	2,483,557	68,302	61,421	1,641,818	4,255,098

Additions to Property, Plant and Equipment, have been financed through revenue, capital grants and loans in 2015/16.

Following capital expenditure the two new office pods at the Eastburn, Hexham Enterprise Hub, were re-valued as at the 1st August 2015 and the new Bulby's Wood site as at the 20th August. The re-valuations were carried out by James Ramsey, MRICS BSc (Hons) a Senior Surveyor of Newcastle City Council. The valuation was performed in accordance with the regulations set out by the International Financial Reporting Standards (IFRS) using the valuation methodology applicable to the asset classification. The Authority is not aware of any material change in the value of any other Property, Plant and Equipment as at 31 March 2016.

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

	31/03/2015	31/03/2016
Administrative offices	2	2
Rural Business Enterprise Hub	1	1
Visitor centres / tea rooms	3	3
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	5	5
Car parks / toilets	6	6

Acquisitions

Eastburn, Hexham Enterprise Hub

Expenditure of £33,166 was capitalised during 2015/16, this was the cost of works to build two additional office pods for the Eastburn, Hexham Enterprise Hub. Expenditure in the year was £32,727 as a total of £439 had been deferred as assets under construction in the prior year. All the expenditure on the two pods has been funded by revenue.

Bulby's Wood Site

During the year the Authority capitalised £135,804 of expenditure which had been incurred improving the visitor facilities at the Bulby's Wood site in the Breamish valley. Expenditure in the year was £124,149 as a total of £11,655 had been deferred as assets under construction in the prior year. All the expenditure on the site improvement has been funded by revenue.

Walltown Site

Expenditure of £25,741 was capitalised during 2015/16, this was the cost of works to procure and install two office cabins for the Authority's Southern Operations team following closure and demolition of the Once Brewed site. All the expenditure on the two office cabins has been funded by revenue.

The Sill National Landscape Discovery Centre Land

Expenditure of £273,165 was capitalised during the year acquiring the land required for The Sill National Landscape Discovery Centre prior to commencement of the building works in September 2015. The expenditure has been funded by revenue (£232,752) and capital grant (£27,248).

IT Infrastructure

Expenditure of £55,936 was capitalised during the year being the cost of replacing and upgrading the Authority's IT infrastructure at its main offices in Eastburn, Hexham. All the IT infrastructure expenditure has been funded by revenue.

Housesteads Car Park

During the year work commenced on increasing and improving the Housesteads car park along Hadrian's Wall, total expenditure of £123,203 has been included as assets under construction at year end. Practical completion took place after year end on the 25th April 2016. The expenditure has been funded by revenue (£23,203) and a Public Works Loan Board loan (£100,000).

The Sill National Landscape Discovery Centre Building

During September 2015 work commenced on constructing The Sill National Landscape Discovery Centre following the demolition and closure of the Once Brewed Visitor Centre and assembly of the required land. Practical completion is forecast to take place in April 2017 with the planned opening to the public taking place later that year. All the expenditure to date of £1,462,165 has been funded by capital grant and included as assets under construction at year end.

The Sill National Landscape Discovery Fixture and Fittings

During the year work commenced on the design and layout of the interpretation displays and internal fit out of The Sill National Landscape Discovery Centre. All the expenditure to date of £56,450 has been funded by capital grant and included as assets under construction at year end.

Outstanding Capital Commitments

As at the 31st March 2016 the Authority had outstanding capital commitments on the following projects as shown below:

Committed but not yet spent:

Housesteads Car Park	£ 15,510
The Sill National Landscape Discovery Centre	£ 7,266,058

Approved but not yet committed

Housesteads Car Park	£ 765
The Sill National Landscape Discovery Centre	£ 1,906,562

Uncertainties and Effect if Actual Results Differ from Assumptions

Buildings 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.

If the useful life of the asset is reduced, depreciation charges will increase and the carrying amount of the asset will fall.

It is estimated that the annual depreciation charge for buildings will increase by £4k for every year that useful lives had to be reduced.

24. Intangible Assets

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

Movements in Intangible Assets during 2014/15 and 2015/16 were as follows:

	2014/15 £	2015/16 £
Cost / valuation balance as at 1 st April	13,400	27,853
Assets under construction	14,453	(14,453)
Acquisitions	-	21,981
Cost / valuation balance at as 31 st March	27,853	35,381
Cumulative Amortisation balance as at 1st April	4,467	7,147
Amortisation for the year	2,680	11,838
Cumulative Amortisation Balance as at 31 March	7,147	18,985
Net Book Value as at 31st March	20,706	16,396

An external IT company developed an IT software programme specifically for Development Management. The software programme came into use on the 1st August 2012 at a cost of £13,400 and has been amortised from that date.

During the year an external company completed work on developing new website software for the Authority which came into use on the 1st June 2015 as a cost of £21,981 and has been amortised from that date. The cost incurred during the year was £7,528 as £14,453 had been classified as assets under construction at the end of the prior year.

There was no further expenditure on intangible assets approved or committed at year end.

25. Heritage Assets

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 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 monuments 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 19th 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:

31.03.15		31.03.16
£		£
590	Confectionery	465
1637	Books	651
66	Alcohol	27
1,777	Maps	1261
3,471	Souvenirs	2,043
139	Hot Drinks Vending Machine	167
1,266	Clothing	325
8,946	Total Goods for Resale	4,939

There was a write off of obsolete books during the financial year totalling £107 (there was no obsolete stock written off during 2014/15).

27. Debtors

31.03.15		31.03.16
£		£
9,531	Trade debtors	15,762
78,598	Grant claims (Revenue)	153,861
-	Grant claims (Capital)	146,297
29,079	Other taxation	73,111
76,896	Other debtors and accrued income	37,996
194,104		427,027

Further analysis of debtors total at year end by organisation type

31.03.15		31.03.16
£		£
29,079	Central Government Bodies	73,111
20,913	Local Authorities	11,584
144,112	Other entities and individuals	342,332
194,104		427,027

28. Cash and cash equivalents

31.03.15		31.03.16
£		£
1,259,013	Bank Deposits	2,350,186
27,363	Bank Accounts	297,354
1,428	Petty cash	1,690
1,287,804		2,649,230

29. Creditors

31.03.15		31.03.16
£		£
29,264	Other tax and social security	30,635
150,998	Accruals (Revenue)	125,667
-	Accruals (Capital)	363,795
60,618	Receipts in advance – external grants	48,224
5,354	Receipts in advance – sales, fees and charges	8,210
5,154	Other creditors	9,872
35,100	Provision for accumulated absences	22,600
286,488		609,003

Further analysis of creditors at year end by organisation type

31.03.15		31.03.16
£		£
29,264	Central government bodies	30,635
40,734	Other local authorities	71,322
216,490	Other entities and individuals	507,046
286,488		609,003

30. Financial Instruments**30.1 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 totalling £427,027 (2014/15 £194,104) and Short Term Investments of which none were held in 2015/16 (2014/15 1 year fixed term bond totalling £800,000).

Financial assets represented by the fixed term deposits are initially included at fair value but subsequently are carried in the balance sheet at amortised cost. Financial assets represented by short-term receivables have no stated interest rate and are therefore measured at cost. 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.

The only financial assets held by the Authority are classified as loans and receivables.

30.2 Financial Liabilities

Long Term Financial liabilities are represented by long term loans included in the balance sheet as the outstanding principal repayable. In 2015/16, for the first time, the Authority utilised its option to borrow, drawing down a loan of £100,000 from the Public Works Loan Board (PWLB). This was a fixed term/ fixed interest loan over 10 years. The fair value of the loan can be assessed by calculating the present value of the cash flows that will take place over the remaining term of loan. The fair values of the loan, provided by PWLB, are reported in Note 31.

Short-Term Financial liabilities represented by accruals and other payables are short-duration payables with no stated interest rate and are therefore measured at cost. All accruals and other payables totalling £609,003 (2014/15 £286,488) are due to be paid in less than one year.

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.

30.3 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.

30.4 Interest Risk

The Authority is not exposed to any significant risks in terms of interest rate risk. The loan taken out during 2015/16 was taken on a fixed rate of interest basis, whilst interest rates remained historically low. 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.

30.5 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 therefore has no exposure to losses arising from movements in foreign exchange.

30.6 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 31st March past due but not impaired, a total of £1,440 was outstanding between 30 and 60 days. All balances past due but not impaired had been collected prior to the accounts being approved for audit in June 2016.

31. Long Term Loans

The Authority's Long-term borrowing is as follows:-

31.03.15	Analysis by Type of Loan	31.03.16	Interest Rate
£		£	£
	- Public Works Loan Board (10 years)	100,000	1.73%
	- Total	<u>100,000</u>	

The Code requires disclosure of the fair value of the loan, which is calculated by the PWLB based on the repayment rates prevailing on the dates below. This value is compared against the carrying value in the Balance Sheet, including debt repayments due within one year.

31.03.15	PWLB Fair Value	31.03.16
£		£
	- Total	<u>105,417</u>

The Fair Value is more than the carrying amount at 31st March 2016 because the fixed rate loan interest payable on existing loans is higher than the rates available for similar loans at that date. This Fair Value is derived by discounting the current fixed repayments remaining on the loan using the interest rates available at Balance Sheet date, with the result that if the Authority requested an early repayment of the loan, the lower interest rates prevailing at Balance Sheet date would result in the PWLB requesting a higher current value for the repayment than the amount outstanding shown in the Balance Sheet.

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.

No events after the Balance Sheet date up to the authorisation date have been considered in the preparation of these accounts.