



Northumberland National Park Authority

Statement of Accounts

**For the year ended
31st March 2014**

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Summary of the 2013/14 Financial Year

Financial Performance

Financial performance in 2013/14 saw a £57,192 increase in the General Fund balance despite a 6% reduction in National Park Grant. The financial performance benefitted from higher earned income and significant cost savings compared to Budget (benefit £104,392) and budget under spends (£220,800), the latter being carried forward into the 2014/15 budget.

It is good to report that the Authority over achieved its targets for base budget cost reduction during the year identifying a number of ongoing savings particularly in its core operating budgets. The majority of the budget savings were in salaries and staff-related expenditure with a number of vacancies not being filled in anticipation of the need to make further savings in response to further National Park grant cuts.

Further National Park grant cuts were announced in December 2013, these were on top of those already planned. The cuts saw further reductions of 2.3 % in 2014/15 and 1.7 % in 2015/16. The overall grant reduction for 2014/15 is now an 8.5% (£236,482) reduction, followed by a further 1.7% reduction in 2015/16 (£44,189). Defra have stated that they hope to avoid further grant reductions but the grants are still subject to revision and as such continue to be included in the Authority's Strategic Risk Register.

To meet the challenge of grant reductions the Authority will continue to target and achieve cost savings, but it is also focused on increasing its earned income from other sources to reduce its dependence on its core National Park grant. During the year the National Park achieved a £58,700 increased its budgeted net income through new income generation initiatives, this was 40% higher than the target. An income generation plan is now in place for the next three years with the agreed targets built into the budget and staff objectives.

Despite the reductions in its core National Park grant the Authority was able to increase its expenditure on projects during the year by £701,809 although an increase in grant support from other partners and stakeholders reduced the net cost to £248,112. The increased financial support for our partners and stakeholders demonstrates the key enabling role the Authority plays in formulating projects which enhance the National Park, as well as the importance of partnership working to the achievement of our objectives.

The major net investment (£185,788) was in the development of the Sill, a project which aims to build a new National Landscape Discovery Centre, in partnership with the Youth Hostel Association (YHA) (England and Wales) at Once Brewed along Hadrian's Wall. The project is being developed with the support of the Heritage Lottery Fund. Phase 1 is nearing completion with planning approval applied for at April 2014. An application for the funding to build the Sill will be made to the Heritage Lottery Fund in October 2014. Earmarked reserves of £900,000 have been set aside in the accounts to cover the Authority's financial contribution to the Sill from 2015 onwards should it proceed as planned.

The last triennial Actuarial Pension Valuation was undertaken as at the 31st March 2013. As a result the long term pension funding deficit reduced at the 31st March 2014 by £1,220,000 to £2,720,000. The improvement was the result of higher asset valuations and took into account the impact of the significant changes made to the Local Government Pension Scheme which were introduced on the 1st April 2014. The Authority will continue to pay down this deficit by:

- continuing to reduce the historical liability with annual fixed payments of £77,000;
- and reducing the variable debt on future pension liabilities by increasing its contribution to 15.1% (was 14.2%) of staff salary costs based on actuarial advice

During the year the General Fund and Useable Reserves increased by £57,192 to £2,339,955; however after allowing for earmarked reserves and unusable reserves the overall level of unallocated reserves reduces to £495,904. This level of unallocated reserves allows the Authority to retain some flexibility to react to any future financial challenges such as those faced through reducing Defra National Park grant in recent years.

Priorities

The Authority continues to focus on its priorities with the aim of achieving excellence in three key priority areas:

- Land Management;
- Rural Development;
- Youth Engagement;

In addition the Authority is committed to developing the new Sill National Landscape Discovery Centre as a means of delivering its stated priorities and transforming the wider public engagement with landscape.

Achievements

Despite the significant reductions to staffing and financial resources seen in recent years, both within the Authority and within many of our partners, the Authority remains ambitious, forward looking and is delivering strongly in a number of key areas. Key achievements in the past year have been the development of The Sill National Landscape Discovery Centre proposals, the delivery of a wide range of initiatives to engage young people with the National Park and our programmes, and the successful delivery of the first year targets for a new earned income programme. 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/lookingafter/corporateinformation/corporateplansbestvalue>

We continue on our journey to become a more enabling Authority, working in partnership with others. The increased level of partnership funding and an overall improvement in Corporate Plan delivery show we are making good progress along this path. With our partners we will continue to improve the National Park in line with our collectively agreed Management Plan and we will continue to develop our staff and to find new and innovative ways of working to meet the challenges of the future.

Tony Gates,
Chief Executive (National Park Officer)

Explanatory Foreword

INFORMATION AND FINANCIAL STATEMENTS

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

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute towards the Authority's future service delivery.

Statement of Accounting Policies

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

Notes to the Accounts

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

FINANCIAL POSITION

The Authority has modest resources but national expectations. In order to meet these ambitions it seeks to maintain, and has maintained, its General Fund balance and Usable Reserves at a sufficient level to finance working capital and to provide contingency against unexpected events and to fund planned investments.

The Authority is dependent on funding (the National Park Grant) from the Department for the Environment Farming and Rural Affairs (Defra) which, at £2,777,344, amounted to 69% of its income in 2013/14. The National Park Grant will reduce by 8.5% in 2014/15 and a further 1.7% in 2015/16 as a result of the overall government funding cuts and there is still the potential for further cuts.

The majority of the Authority's expenditure included in the Outturn Budget report is on salaries and staff-related expenditure, which amounted to £2,077,471 in 2013/14 a reduction of 2.7% (£57,951) compared to 2012/13. The reduction in staff costs reflected the full year saving of staff cuts made in 2012/13 and a decision not to recruit into all posts when staff left during the year in anticipation of the need to make further cost savings to offset further grant reductions.

Funds for many programmes and services continue to be dependent on grants and other sources of income and 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. One key action is the establishment of a charitable company. At a meeting of the Full Authority on the 19th March 2014 Members approved support for the establishment of the Northumberland National Park Foundation to raise charitable and philanthropic funds to support projects which help achieve the objectives of the National Park. It is anticipated the Foundation will be fully established in the current financial year. The Foundation and its Trustees will be independent of the Northumberland National Park Authority.

On the 31st March 2014 the Authority re-valued all its pay and display car parks and the former visitor centre at Ingram. The revaluation produced a net increase in asset values of £53,263, as a result of certain assets being re-valued up (£81,443) whilst others were re-valued down (£28,180).

The deficit on the Authority's pension fund was reduced by £1,220,000 to £2,720,000 reflecting an increase in pension scheme assets and the significant changes to the Local Government Pension Scheme which came into effect on the 1st April 2014. The deficit on the pension fund is a significant liability; however the Pension Reserve is a non cash reserve which reflects a long term funding issue to be resolved by all Local Authorities.

During the year the level of earmarked reserves increased from £364,100 to £1,348,800 due to the approval of reserves to cover forecast future expenditure on the Sill and Bulby's Wood projects.

Reserves totalling £900,000 were earmarked to cover forecast working capital, capital and temporary visitor centre costs on the Sill Project which is the planned new National Landscape Discovery Centre and Youth Hostel Association (England and Wales) hostel at the Once Brewed site. The project, which is being developed in partnership with the YHA, has been supported by the National Heritage Lottery Fund during phase 1. A planning application for the development of the site was submitted in April 2014. Subject to planning consent and the approval of the Authority's members an application for phase 2 funding will be made to the Heritage Lottery Fund in October 2014.

The earmarked reserve for Bulby's Wood of £150,000 has been created to cover major refurbishment of the visitor facilities in the Ingram valley; the project is currently in the design phase and still requires planning consent and the approval of the Authority's members.

After taking into account the impact of the pension deficit and the increase in earmarked reserves the Authority's balance sheet remains in a positive position. The Authority's total reserves increased by

£1,352,024 to £1,844,704 during the year; however after the earmarked reserves of £1,348,800 are deducted the total reserves reduce to £495,904.

Income and Expenditure

The increase in the General Fund, before transfers to earmarked reserves, for the year was £57,192 compared to a £429,882 increase in 2012/13.

The net Cost of Services in the Comprehensive Income and Expenditure Statement reduced by £384,732 to £2,806,580; this reduction was after favourable asset revaluation movements of £598,252 and an adverse IAS19 pension cost movement of £30,000. Excluding both those adjustments the underlying net Cost of Services increased by £183,250 due to a £235,424 net increase in project expenditure and a £51,904 net reduction in non project expenditure.

The Cost of Services Gross Expenditure increased year-on-year by £31,857, however if you discount the asset revaluation and IAS19 pension movements, the increase in expenditure was £600,109. The reasons for this increase in expenditure are shown below:

- increase in Sill project expenditure costs of £500,264;
- increase in grants and loans payable to local businesses and community groups through the Sustainable Development and Action Area Funds of £85,227;
- decrease in Pennine Way footpath maintenance and improvement projects of £48,069;
- increase in conservation, heritage, cultural and community projects across the National Park of £52,943;
- £67,662 reduction in non project staff related costs due to the full year saving of staff cuts made in 2012/13 and a policy of not replacing all vacant posts in anticipation of the need to make cost savings to offset further grant reductions; and
- £77,406 increase in other costs, offset by a £75,516 increase in other sales, fees and rent income as explained below.

The Cost of Services Gross Income increased year-on-year by £416,589. The principal movements being:

- increase in Sill project grants of £314,476;
- decrease in Pennine Way footpath maintenance and improvement grants from Natural England of £45,073;
- increase in partner funded conservation, heritage, cultural and community project grants and income of £85,538;
- receipt of a £30,000 legacy;
- reduction in Visitor Centre trading sales of £5,055 following the closure of the Rothbury and Ingram Visitor Centres in October 2012. The overall reduction would have been greater but for an improvement of £10,194 at the remaining Once Brewed Visitor Centre.
- £38,813 reduction in one-off funding from DEFRA's Modernisation Fund, to cover the costs of redundancy in 2012/13; and

- £75,516 increase in other sales, fees and rent income as a result of an increased focus on earned income generation to offset reductions in National Park grant. The increase in rental income benefitted from local businesses occupying the vacated Rothbury and Ingram Visitor Centres, with the businesses continuing to provide a visitor information service.

The budgeted reduction in the General Fund for 2013/14 was £301,800. The actual outturn for the year was an increase of £57,192, an improvement of £358,992. Following the approval of Members, at a meeting of the Authority on the 18th June 2014, £220,800 of unspent budgets were carried forward into the 2014/15 Budget.

The carry forward figure of £220,800 includes the following material budget balances:

- £50,700 to expand the size of the car park at Housesteads to improve visitor access at this key location, this will also increase future income generation through car park charges to pay for the investment;
- £41,600 to cover website development, branding and income generation initiatives;
- £33,300 to cover phase 1 design and development costs on the Sill project;
- £31,100 to fund net capital expenditure on the set up of the Hexham Enterprise Hub@Eastburn as part of Defra's North East Rural Growth Network Programme;
- £20,000 to fund Dark Sky projects following the award of International Dark Sky Park status;
- Sustainable Development Fund expenditure will be reduced by £32,000 in 2014/15 as the result of project spend being incurred earlier than originally anticipated in the Budget; and
- £76,100 to complete one-off actions and projects to fulfil the aims and objectives set out in the three year Business Plan, the National Park Management Plan and the Authority's Corporate Plan.

A saving of £3,800 on the visitor centre refurbishment budget in 2013/14 has been transferred to the visitor centre refurbishment earmarked reserve at year end.

Capital

Total capital expenditure in the year was £111,444.

Capital expenditure of £52,214 was incurred to create the Hexham Enterprise Hub@Eastburn as part of Defra's North East Rural Growth Network Programme which provided grant funding of £39,526 resulting in a net cost of £12,688 being funded by revenue. The rural business enterprise hub is based at the Authority's Headquarters in Hexham.

Capital expenditure of £59,230 was incurred setting up a pilot Automatic Wildfire Detection System to improve the early detection of wildfires in rural locations. The works were fully funded by £59,230 of capital grant under the LEADER Rural Development Programme for England.

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 2014.

..... 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 2011. Thus an Annual Governance Statement is required for the year ending 31st March 2014. This needs to be produced alongside the Annual Accounts.

Scope

The Authority is responsible for ensuring its business is conducted in accordance with statutory standards and professional guidance and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Local Government Act 1999 places a statutory responsibility on the Authority to secure continuous improvement in the way its functions are delivered. Therefore the Authority is responsible for ensuring a sound system of internal control is in place to facilitate the delivery of its functions, 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 2014 and up to the date of approval of the annual report and accounts and accords with proper practice.

The Internal Control Environment

Establishing and monitoring the achievement of the Authority's objectives

Medium Term Vision and 5 Year Framework

The Authority has a hierarchy of plans, headed by a statutory National Park Management Plan which sets a framework for its work for the next 10 years, with a planned review after 5 years (next review required in 2014/15). 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. The Authority approved its latest three year Business Plan in March 2013.

The three year Business Plan is updated and aligns 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 departmental work programmes and onwards to individual staff work plans.

Agreeing Priorities

Not everything within the National Park Management Plan is deliverable within available resources. Strategic priority setting is undertaken by the Authority every three years (last carried out in the autumn of 2012) to inform the medium term three year Business Plan and Budget Plan. The current Plan runs up to the end of 2016/17.

Policy and decision making

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

Decision making is regulated by the Authority's Standing Orders, Scheme of Delegation, Financial Procedures and member and officer Codes of Conduct. Following national and internal governance reviews, a new set of Standing Orders and a new Scheme of Delegation were adopted by the Authority in May 2014. The changes aim to further embed good governance within the Authority.

In 2012/13 Northumberland National Park Authority implemented the new national Member Code of Conduct and set a local code of conduct which reflected the statutory purposes of National Park Authorities. The Authority appointed an independent member to assist the Monitoring Officer in implementing the new Member Code of Conduct. In 2014/15 the Authority will consult on and set its first formal Member Officer Working Protocol to further embed good governance practice.

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 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. Risk management activity is incorporated, via the Corporate Plan, into work programmes including priority actions for senior managers. In addition the Authority has separate programmes to address health and safety, local resilience, business continuity and equality. Whistle blowing and anti fraud and corruption policies are also in place.

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

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

Members routinely scrutinise work through Review Group meetings. This model is a nationally commended review process which includes enlisting the active participation of external partners and independent members. 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 £11.8m Sill Project, being developed in partnership with the Youth Hostel Association, 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 the Youth Hostel Association. The Sill Project Board has delegated authority to take decisions on the detailed development of proposals for the project up to the determination of the planning application in the summer of 2014.

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

Improvement Planning

The last National Park Authority Performance Assessment (NPAPA), concluded November 2010, found that the Authority had no areas of weakness and had become a high performing National Park Authority in two of its service areas. Since that date the Authority has had to implement budget cuts and income generation programmes to address the loss of 39.3% of core grant from Defra. There are currently no plans to repeat NPAPA in the near future. The outcomes of the most recent NPAPA therefore offer only a limited level of assurance.

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 2011/12 all bought-in professional services were market tested. The result was an annual saving in excess of £20,000 and access to an enhanced level and improved quality of services.

Salary and associated employment costs for non project staff are the most significant resource for the Authority accounting for 65% of National Park grant. The Authority aims to continually develop its staff and has been recognised as an Investor in People for over 10 years now, with regular surveys showing increasingly enhanced levels of staff engagement. Following significant organisational change a new Human Resources Framework was set in March 2013 with five prioritised strategic objectives for the next three years. A number of service reviews aimed at further enhancing efficiency and effectiveness are planned in 2014/15.

The Authority achieves many of its objectives working with others in the private, public and voluntary sectors. An ever increasing amount of fieldwork is undertaken in partnership with community and voluntary groups. Sharing of costs and pooling of resources through

partnership working has ensured exceptionally good value for money in areas such as land management, tourism marketing, sustainable transport and projects to mitigate climate change. Further improvements are planned in areas such as National Trail maintenance, volunteer services and sharing specialist staff with skills in the natural environment.

Financial management

The Authority's financial management arrangements conform to the majority of the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010. The notable exception being the Chief Financial Officer does not report directly to the Chief Executive and is not a member of the Leadership Team. In the current staffing structure the Chief Financial Officer reports to the Head of Corporate Services and Monitoring Officer. The Chief Financial Officer reports directly to the full Authority on significant financial matters including 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 rotational plan. All significant externally funded projects are audited. In addition to audit, the Authority has undertaken full scale value for money reviews in high financial risk areas such as property and estates. Annual trading accounts are produced and used to scrutinise and challenge the effective performance of the Hexham Enterprise Hub at Eastburn, Once Brewed visitor centre sales operation and the car park charging scheme.

A modern, easy to use, financial monitoring system is accessible by all accountable staff on their desktops, laptops and for remote working. The challenge is to ensure that the presentation of reports keeps pace with technological changes, in order to be shared effectively with members, staff, partners and contractors. The Leadership Team reviews the budget quarterly with key issues being reported to members. A Finance 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 project performance management and report on this on a monthly basis. The Authority receives annual and quarterly financial reports. Key targets and areas of high corporate risk are reported six-monthly to the Authority alongside performance of projects.

Performance management

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

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

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

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

Review of Effectiveness

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

The Authority sets a plan for internal audit on an annual basis based on a three year strategic horizon. An annual report is received from the internal auditors Baker Tilly. The results of the audits and the recommended action plans are scrutinised by the Authority's Review Group to ensure good progress is being made. The Authority's Review Group provide an audit committee / overview role. Executive action is taken by the Chief Executive and issues raised are discussed and action-planned by the Leadership Team.

Significant Internal Control Issues

Internal Audit reported on the following areas in 2013/14:

- Risk Management Framework
- Financial Planning and Budgetary Control: Commercial Income
- Performance Management: Internal Staff Appraisal Processes
- Sustainable Development Fund

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

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

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

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

..... Chief Executive

..... Chairman

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

Opinion on the Authority financial statements

We have audited the financial statements of Northumberland National Park Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Statement of Accounting Policies 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 2013/14.

This report is made solely to the members of the Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Summary of the 2013/14 Financial Year and Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Northumberland National Park Authority as at 31 March 2014 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 2013/14.

Opinion on other matters

In our opinion, the information given in the Summary of the 2013/14 Financial Year and Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Other matters on which we are required to conclude

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

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

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

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

Certificate

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

Celia Craig (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
Newcastle-Upon-Tyne
17 September 2014

Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2014

2012/13 Restated				2013/14		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
437,339	(25,582)	411,757	Conservation of Natural Environment	438,155	(126,941)	311,214
131,802	(12,786)	119,016	Conservation of Cultural Heritage	125,289	(12,225)	113,064
618,125	(237,849)	380,276	Recreation Management and Transport	220,099	(242,773)	(22,674)
780,601	(155,915)	624,686	Promoting Understanding	1,125,638	(437,597)	688,041
518,342	(9,275)	509,067	Rangers, Estates and Volunteers	551,140	(21,086)	530,054
198,904	(13,818)	185,086	Development Control	224,679	(26,049)	198,630
839,076	(213,843)	625,233	Forward Planning and Communities	866,767	(214,863)	651,904
338,433	(2,242)	336,191	Corporate Management and Administration	342,712	(6,365)	336,347
3,862,622	(671,310)	3,191,312	Cost of Services	3,894,479	(1,087,899)	2,806,580
7,500	(7,500)	-	Other operating income and expenditure (Note 4)	-	-	-
170,000	(52,222)	117,778	Financing and investment income and expenditure (Note 5)	180,000	(36,883)	143,117
-	(2,965,341)	(2,965,341)	Non specific grant income (Note 6)	-	(2,876,100)	(2,876,100)
		343,749	(Surplus) / Deficit on the Provision of services			73,597
		(553,642)	Revaluation gain on Land and Buildings revalued on the 31 st March 2014 (Note 23)			(15,621)
		120,000	Actuarial (gains)/ losses on Pension Fund assets and liabilities (Note 19)			(1,410,000)
		(433,642)	Other Comprehensive Income and Expenditure			(1,425,621)
		(89,893)	Total Comprehensive Income and Expenditure			(1,352,024)

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 2014.

The accounting policies and notes on pages 22 to 60 form an integral part of these financial statements.

..... Chief Financial Officer Date

Movement in Reserves Statement for the Year Ended 31st March 2014

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£
Balance as at 31 March 2012	1,375,881	477,000	0	1,852,881	(1,450,094)	402,787
Movement in Reserves during 2012/13 (Restated)						
Surplus / (Deficit) on the provision of services	(343,749)	-	-	(343,749)	-	(343,749)
Other comprehensive income and expenditure	-	-	-	-	433,642	433,642
Total comprehensive income and expenditure	(343,749)	-	-	(343,749)	433,642	89,893
Adjustments between accounting basis and funding basis under regulations (Note 9)	773,631	-	-	773,631	(773,631)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	429,882	-	-	429,882	(339,989)	89,893
Transfers to/ from Earmarked Reserves (note 10)	112,900	(112,900)	-	-	-	-
Increase/ (Decrease) in 2012/13	542,782	(112,900)	-	429,882	(339,989)	89,893
Balance as at 31 March 2013	1,918,663	364,100	-	2,282,763	(1,790,083)	492,680
Movement in Reserves during 2013/14						
Surplus / (Deficit) on the provision of services	(73,597)	-	-	(73,597)	-	(73,597)
Other comprehensive income and expenditure	-	-	-	-	1,425,621	1,425,621
Total comprehensive income and expenditure	(73,597)	-	-	(73,597)	1,425,621	1,352,024
Adjustments between accounting basis and funding basis under regulations (Note 9)	130,789	-	-	130,789	(130,789)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	57,192	-	-	57,192	1,294,832	1,352,024
Transfers to/ from Earmarked Reserves (note 10)	(984,700)	984,700	-	-	-	-
Increase/ (Decrease) in 2013/14	(927,508)	984,700	-	57,192	1,294,832	1,352,024
Balance as at 31 March 2014	991,155	1,348,800	-	2,339,955	(495,251)	1,844,704

The accounting policies and notes on pages 22 to 60 form an integral part of these financial statements. See note 1 for details of the restatement.

Balance Sheet as at 31st March 2014

31 March 2013		Note	31 March 2014
£			£
2,177,006	Property, Plant and Equipment	23.	2,251,718
11,613	Intangible Assets	24.	8,933
2,188,619	Long Term Assets		2,260,651
12,593	Inventories	26.	9,491
317,702	Short Term Debtors	27.	301,192
722,914	Cash and Cash Equivalents	28.	1,051,185
1,500,000	Short Term Investments	31.	1,300,000
2,553,209	Current Assets		2,661,868
(285,291)	Short Term Creditors	29.	(357,815)
(23,857)	Provision	30.	-
(309,148)	Current Liabilities		(357,815)
(3,940,000)	Pensions Liability	19.	(2,720,000)
(3,940,000)	Long Term Liabilities		(2,720,000)
492,680	Net Assets / (Liabilities)		1,844,704
2,282,763	Usable reserves	10/11.	2,339,955
(1,790,083)	Unusable reserves	12.	(495,251)
492,680	Total Reserves		1,844,704

The above Balance Sheet presents a true and fair financial position of the Authority as at 31st March 2014.

The accounting policies and notes on pages 22 to 60 form an integral part of these financial statements.

..... Chief Financial Officer

..... Date

Cash Flow Statement for the Year Ended 31st March 2014

2012/13		2013/14
Restated		
£		£
343,749	Net (Surplus) / Deficit on the provision of services	73,597
(693,857)	Adjustments to net surplus on the provision of services for non-cash movements (Note 13)	(313,312)
3,750	Adjustments for items included in the net surplus or deficit on the provision of services that are investing activities	59,230
<u>(346,358)</u>	Net cash flows from Operating Activities (Note 14)	<u>(180,485)</u>
516,825	Investing Activities (Note 15)	(147,786)
170,467	Net (Increase) / Decrease in cash and cash equivalents	(328,271)
<u>893,381</u>	Cash and cash equivalents at the beginning of the reporting period	<u>722,914</u>
<u>722,914</u>	Cash and cash equivalents at the end of the reporting period (Note 28)	<u>1,051,185</u>

The accounting policies and notes on pages 22 to 60 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 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, 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 2013/14 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 2014.

Provision for Doubtful Debts

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

Charges to Revenue

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

Overheads

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

Cash and Cash Equivalents

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

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

Northumberland National Park Authority

is a reasonable assurance that the grant or contribution will be received. Other income is recognised on an accruals basis.

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

Reserves

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

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

Pensions

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

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

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

Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period –

the Statement of Accounts is adjusted to reflect such events

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

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

Financial Instruments

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

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

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 being two 1 year Fixed Term Bonds totalling £1,300,000 (2012/13 three 3 year fixed term bonds of £1,500,000).

Financial assets represented by the fixed term bonds 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.

Financial liabilities are shown within the balance sheet as other liabilities and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of investment for the instrument. Financial liabilities represented by accruals and other payables are short-duration payables with no stated interest rate and are therefore measured at original amount. There have been no revaluations of financial instruments in the period so there are no gains or losses recognised in the accounts; hence there is no variation between the carrying value and fair value. All accruals and other payables are due to be paid in less than one year.

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. Restatement of 2012/13 financial statements arising from the change in accounting policy - IAS19 Employee Benefits

The amendment to IAS 19 Employee Benefits requires a change in accounting policy in relation to the treatment of Pension Scheme gains and losses. The 2012/13 figures have been restated in line with this change in accounting policy. The overall measurement of the Authority's net pension liabilities has not changed but there has been some reclassification of items reported in the Comprehensive Income and Expenditure Statement. As the changes are a reclassification within Comprehensive Income and Expenditure Statement there is no impact on the Pensions Reserve which forms part of Unusable Reserves.

The following tables set out the restatement adjustments made to the financial statements. In addition the notes have been updated to reflect the changes as shown in the main financial statements.

Effect on the Comprehensive Income and Expenditure Statement 2012/13

	As previously stated 2012/13 £	As restated 2012/13 £	Adjustments Made £
Conservation of Natural Environment	409,264	411,757	2,493
Conservation of Cultural Heritage	118,168	119,016	848
Recreation Management and Transport	379,691	380,276	585
Promoting Understanding	620,020	624,686	4,666
Rangers, Estates and Volunteers	505,599	509,067	3,468
Development Control	183,798	185,086	1,288
Forward Planning and Communities	620,523	625,233	4,710
Corporate Management and Administration	334,249	336,191	1,942
Cost of Services	3,171,312	3,191,312	20,000
Financing and investment income and expenditure (Note 5)	(22,222)	117,778	140,000
(Surplus) / Deficit on the Provision of services	183,749	343,749	160,000
Actuarial (gains)/ losses on Pension Fund assets and liabilities (Note 19)	280,000	120,000	(160,000)
Other Comprehensive Income and Expenditure	(273,642)	(433,642)	(160,000)

Effect on Movement in Reserves – Usable Reserves 2012/13

	As previously stated 2012/13 £	As restated 2012/13 £	Adjustments Made £
Surplus / (Deficit) on the provision of services	(183,749)	(343,749)	(160,000)
Adjustments between accounting basis and funding basis under regulations (Note 9)	613,631	773,631	160,000

Effect on Movement in Reserves – Unusable Reserves 2012/13

	As previously stated 2012/13 £	As restated 2012/13 £	Adjustments Made £
Other comprehensive income and expenditure	273,642	433,642	160,000
Adjustments between accounting basis and funding basis under regulations (Note 9)	(613,631)	(773,631)	(160,000)

Effect on the Cashflow Statement 2012/13

	As previously stated 2012/13 £	As restated 2012/13 £	Adjustments Made £
(Surplus) / Deficit on the Provision of services	183,749	343,749	160,000
Adjustments to net surplus on the provision of services for non-cash movements (Note 13)	(533,857)	(693,857)	(160,000)

2. Critical Judgements in Applying Accounting Policy

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

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

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

The 2014/15 Code of Practice on Local Authority Accounting adopts the following amendment to International Accounting Standards and International Financial Reporting Standards:

There is an amendment to IAS 32 Financial Instruments: Presentation. Full details of the amendment have not yet been published but the affect on this Authority's Statement of Accounts is expected to be a change in the presentation of the disclosure note only.

Other amendments to the 2014/15 Code of Practice on Local Authority Accounting have been reviewed and are considered not be relevant to the Authority or are immaterial.

4. Other Operating income and expenditure

2012/13		2013/14
£		£
(3,750)	Sale Proceeds from disposal of assets	-
(3,750)	Release of Donated Assets	-
7,500	Fair value on disposal of assets under construction - 3 electric car charging points	-
-	Total (Surplus) / Deficit on Asset Disposal	-

5. Financing and Investment income and expenditure

2012/13 Restated		2013/14
£		£
170,000	Net interest on the net defined liability / (asset)	180,000
(52,222)	Interest receivable	(36,883)
117,778	Total	143,117

6. Non Specific Grant income

2012/13		2013/14
£		£
(2,955,341)	National Park Grant *	(2,777,344)
(10,000)	Donated Assets	-
-	Capital Grants and Contributions	(98,756)
(2,965,341)	Total	(2,876,100)

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

7. Cost of Services income

2012/13		2013/14
£		£
(459,025)	External grants	(777,003)
(212,285)	Sales, fees and charges	(310,896)
(671,310)	Total	(1,087,899)

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.

8. Segment Analysis

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

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

The breakdown of the income and expenditure of the Authority as recorded in the Outturn Budget Report is as follows:

2013/14	Employee Expenses £	Service Expenses £	Total Expenditure £	Sales, Fees and Charges £	Grants £	Total Income £	Net Expenditure £
Conservation of the Natural Environment	184,275	148,874	333,149	(21,573)	(155,598)	(177,171)	155,978
Conservation of the Cultural Heritage	53,385	24,936	78,321	(1,125)	(9,100)	(10,225)	68,096
Recreation Management and Transport	40,038	162,623	202,661	(166,033)	(74,740)	(240,773)	(38,112)
Promoting Understanding	272,663	627,990	900,653	(42,665)	(382,932)	(425,597)	475,056
Rangers, Estates and Volunteers	290,868	61,622	352,490	(10,086)	-	(10,086)	342,404
Development Control	115,159	17,706	132,865	(34,524)	-	(34,524)	98,341
Forward Planning and Communities	249,402	399,555	648,957	-	(202,863)	(202,863)	446,094
Management and Administration	871,681	436,388	1,308,069	(85,248)	(50,526)	(135,774)	1,172,295
Total	2,077,471	1,879,694	3,957,165	(361,254)	(875,759)	(1,237,013)	2,720,152

2012/13	Employee Expenses £	Service Expenses £	Total Expenditure £	Sales, Fees and Charges £	Grants £	Total Income £	Net Expenditure £
Conservation of the Natural Environment	171,592	24,056	195,648	(14,682)	(10,900)	(25,582)	170,066
Conservation of the Cultural Heritage	56,597	18,646	75,243	(1,800)	(10,986)	(12,786)	62,457
Recreation Management and Transport	41,368	195,151	236,519	(126,733)	(111,116)	(237,849)	(1,330)
Promoting Understanding	319,480	189,055	508,535	(43,735)	(112,180)	(155,915)	352,620
Rangers, Estates and Volunteers	272,176	50,647	322,823	(9,275)	-	(9,275)	313,548
Development Control	91,386	34,850	126,236	(13,818)	-	(13,818)	112,418
Forward Planning and Communities	318,018	268,631	586,649	-	(223,843)	(223,843)	362,806
Management and Administration	864,804	342,534	1,207,338	(54,464)	-	(54,464)	1,152,874
Total	2,135,421	1,123,570	3,258,991	(264,507)	(469,025)	(733,532)	2,525,459

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

2012/13		2013/14
Restated		
£		£
2,525,459	Net Expenditure in the breakdown of the Outturn Budget Report Analysis	2,720,152
(20,575)	Remove capital expenditure capitalised in the financial statements but included in the outturn budget report	(111,444)
3,750	Remove the gain / (loss) on the disposal of non current assets	-
(360,000)	Remove employers' cash pension contributions included in the outturn budget report but not included in the financial statements	(360,000)
10,000	Remove capital income included in the outturn budget report but capitalised in the financial statements	98,756
52,222	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)	36,883
340,000	Include employers pension contributions accrued in the financial statements but excluded from the outturn budget report	370,000
(7,000)	Include impact of employee accrual for leave	(2,800)
85,059	Include depreciation charges on non-current assets included in the financial statements but excluded from the outturn budget report	89,995
1,787	Include amortisation of intangible assets included in the financial statements but excluded from the outturn budget report	2,680
560,610	Include impairment charges included in the financial statements but excluded from the outturn budget report	(37,642)
3,191,312	Cost of Services in the Comprehensive Income and Expenditure Statement	2,806,580

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.

2013/14	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 and charges	(324,371)	13,475	-	-	-	(310,896)
Interest and Investment Income	(36,883)	36,883	-	-	(36,883)	(36,883)
National Park Grant	-	-	-	-	(2,777,344)	(2,777,344)
External grants and contributions	(777,003)	-	-	-	-	(777,003)
Capital Grants and Donated Assets	(98,756)	98,756	-	-	(98,756)	(98,756)
Total Income	(1,237,013)	149,114	-	-	(2,912,983)	(4,000,882)
Employee Expenses	2,077,471	(360,000)	367,200	(735,600)	180,000	1,529,071
Other Service Expenses	1,879,694	(124,919)	-	(289,400)	-	1,465,375
Reapportion management & admin costs	-	-	-	1,025,000	-	1,025,000
Depreciation, amortisation and impairment	-	-	55,033	-	-	55,033
Total Expenditure	3,957,165	(484,919)	422,233	-	180,000	4,074,479
(Surplus)/Deficit on the Provision of Services	2,720,152	(335,805)	422,233	-	(2,732,983)	73,597

2012/13 Comparatives (Restated)	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	(212,285)	-	-	-	-	(212,285)
Interest and Investment Income	(52,222)	52,222			(52,222)	(52,222)
National Park Grant	-	-	-	-	(2,955,341)	(2,955,341)
External grants and contributions	(469,025)	10,000	-	-	-	(459,025)
Capital Grants	-	-	-	-	(10,000)	(10,000)
Income from disposal of non current asset	-	-	-	-	(7,500)	(7,500)
Total Income	(733,532)	62,222	-	-	(3,025,063)	(3,696,373)
Employee Expenses	2,135,422	(360,000)	333,000	(736,600)	170,000	1,541,822
Other Service Expenses	1,123,569	(16,825)	-	(241,400)	-	865,344
Reapportion management & admin costs	-	-	-	978,000	-	978,000
Costs from disposal of non current assets	-	-	-	-	7,500	7,500
Depreciation, amortisation and impairment	-	-	647,456	-	-	647,456
Total Expenditure	3,258,991	(376,825)	980,456	-	177,500	4,040,122
				-		
(Surplus)/Deficit on the Provision of Services	2,525,459	(314,603)	980,456	-	(2,847,563)	343,749

9. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2013/14	Usable Reserves		
	General Fund Balance (£)	Capital Receipts Reserve (£)	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	89,995	-	(89,995)
Charges for impairment of non-current assets	(37,642)	-	37,642
Amortisation of intangible assets	2,680	-	(2,680)
Capital grants and contributions applied	(98,756)	-	98,756
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital Expenditure charged against the General Fund Balance	(12,688)	-	12,688
Adjustment primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	550,000	-	(550,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(360,000)	-	360,000
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	(2,800)	-	2,800
Total Adjustments	130,789	-	(130,789)

2012/13 (Restated)	Usable Reserves		
	General Fund Balance (£)	Capital Receipts Reserve (£)	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 and impairment of non-current assets	85,059	-	(85,059)
Charges for impairment of non-current assets	560,610	-	(560,610)
Amortisation of intangible assets	1,787	-	(1,787)
Capital grants and contributions applied	-	-	-
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	3,750	-	(3,750)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital Expenditure charged against the General Fund Balance	(20,575)	-	20,575
Adjustment primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	510,000	-	(510,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(360,000)	-	360,000
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	(7,000)	-	7,000
Total Adjustments	773,631	-	(773,631)

10. Transfers to/ from Earmarked Reserves

	Balance at 1 st April 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31 st March 2014
2013/14	£	£	£	£
The Sill Phase 1	69,100	(69,100)	-	-
Visitor Centre Refurbishment	70,000	-	3,800	73,800
IT Capital Replacements	75,000	-	-	75,000
Planning Contingency	150,000	-	-	150,000
Bulby's Wood	-	-	150,000	150,000
Sill Phase 2 investment	-	-	250,000	250,000
Sill phase 2 working Balances	-	-	600,000	600,000
Temporary Visitor Centre Hadrian's Wall	-	-	50,000	50,000
Total Earmarked Reserves	364,100	(69,100)	1,053,800	1,348,800

Transfer as per Movement in Reserves Statement £984,700

	Balance at 1 st April 2012	Transfers out 2012/13	Transfers in 2012/13	Balance at 31 st March 2013
2012/13	£	£	£	£
The Sill Phase 1	140,000	(70,900)	-	69,100
Visitor Centre Refurbishment	100,000	(50,000)	20,000	70,000
IT capital replacements	75,000	-	-	75,000
Planning contingency	162,000	(12,000)	-	150,000
Total Earmarked Reserves	477,000	(132,900)	20,000	364,100

Transfer as per Movement in Reserves Statement (£112,900)

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

The Sill Phase 1

The Sill is the project title given to the £11.8m proposed Landscape Discovery Centre and Youth Hostel at Once Brewed along Hadrians Wall. The project is being developed in partnership with the Youth Hostel Association (England and Wales) and funding support from the Heritage Lottery Fund. The project is currently in phase 1 and has submitted a planning application for the development of the site in April 2014. The earmarked reserve was set up in 2011/12 to cover the anticipated Heritage Lottery bid and phase 1 costs that had not been included in the three year Business Plan due to the uncertainty over timing. The reserve has been released in full during the 2012/13 and 2013/14 financial years.

Visitor Centre Refurbishment

The visitor centre refurbishment reserve is to cover the future cost of major refurbishment and improvements to visitor interpretation displays and fixture and fittings at the Authority's visitor centre. There is an annual budget of £14,000 for small scale refurbishment works during the year with any unspent budget transferring to the reserve at the year end, thus enabling the gradual increase of the reserve.

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.

Bulby's Wood

The Authority is committed to improving the public facilities at Bulby's Wood in the Ingram Valley. The anticipated cost of these works has been included as an earmarked reserve, in advance of a report with detailed costs, being presented to the Authority for approval during 2014/15. On approval the costs will be included in the Authority's budget and the earmarked reserve will be released. Initial cost estimates indicate a budget of circa £150,000 will be required.

Sill Phase 2 investment

It is anticipated that, subject to planning approval, a decision will be taken by the Authority in 2014/15 to proceed with an application to the Heritage Lottery Fund to fund the construction of the Sill, an earmarked reserve of £250,000 will be required as the Authority's cash contribution to Phase 2 of the project.

Sill Phase 2 Working Balances

It is anticipated that, subject to planning approval, a decision will be taken by the Authority in 2014/15 to proceed with an application to the Heritage Lottery Fund to fund the construction of the Sill, an earmarked reserve of £600,000 has been created to cover land acquisition, unforeseen costs and working capital. The Heritage Lottery Fund withholds a 10% retention on all grant monies, until the completion of the project and although the Authority will place a retention on its contractors an earmarked reserve has been approved to cover both working capital and the cost risks on a construction contract worth over £7 million. Part of the reserve will be used to acquire the hostel site from the Youth Hostel Association. Any unused balance would be returned to reserves on completion of the project.

Temporary Visitor Centre Hadrian's Wall

If a decision is taken in 2014/15 to proceed with an application to the Heritage Lottery Fund to fund the construction of the Sill then costs estimated at around £50,000 would be required to cover the additional costs of providing a temporary visitor centre in the Hadrian's Wall Area. The earmarked reserve covers additional costs plus the loss of trading and car park income from operating out of a temporary location.

11. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement, Note 9 and the table below.

2012/13		2013/14
Restated		
£		£
1,852,881	Opening Balance	2,282,763
(343,749)	Surplus / (Deficit) on the Provision of Services	(73,597)
773,631	Adjustments between accounting and funding basis (Note 9)	130,789
2,282,763	Total Usable Reserves	2,339,955

12. Unusable Reserves

2012/13		2013/14
£		£
841,316	Revaluation Reserve	847,474
1,337,301	Capital Adjustment Account	1,403,175
(3,940,000)	Pensions Reserve	(2,720,000)
(28,700)	Accumulated Absences Account	(25,900)
(1,790,083)	Total Unusable Reserves	(495,251)

Revaluation Reserve

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

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

The reserve 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 £15,621 to reflect the net valuation gain on assets following the revaluation of sale and display car parks and the former Ingram Visitor Centre within Land and Buildings carried out on the 31st March 2014.

2012/13		2013/14
£		£
297,137	Balance at 1 April	841,316
(9,463)	Difference between fair value depreciation and historical cost depreciation	(9,463)
797,460	Upward revaluation of assets	25,478
<u>(243,818)</u>	Downward revaluation of assets	<u>(9,857)</u>
553,642	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	15,621
<u>841,316</u>	Balance at 31 March	<u>847,474</u>

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

2012/13		2013/14
£		£
1,958,469	Balance at 1 April	1,337,301
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(85,059)	• Charges for depreciation of non-current assets	(89,995)
(560,610)	• Net revaluation gains and (charges for impairment) of non-current assets	37,642
(1,787)	• Amortisation of intangible assets	(2,680)
20,575	• Revenue expenditure funded by capital under statute	12,688
(3,750)	• 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	-
(630,631)		(42,345)
9,463	Adjusting amounts written out of the Revaluation Reserve	9,463
(621,168)	Net written out amount of the cost of non-current assets consumed in the year	(32,882)
	Capital financing applied in the year:	
-	• Use of Capital Receipts Reserve to finance new capital expenditure	-
-	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	98,756
-		98,756
1,337,301	Balance at 31 March	1,403,175

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.

2012/13		2013/14
Restated		
£		£
(3,670,000)	Balance at 1 April	(3,940,000)
(120,000)	Actuarial gains or (losses) on pensions assets and liabilities	1,410,000
(510,000)	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	(550,000)
360,000	Employer's pensions contributions and direct payments to pensioners payable in the year	360,000
(3,940,000)	Balance at 31 March	(2,720,000)

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.

2012/13		2013/14
£		£
(35,700)	Balance at 1 April	(28,700)
35,700	Cancellation of accrual made at the end of the preceding year	28,700
(28,700)	Amounts accrued at the end of the current year	(25,900)
7,000	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	2,800
(28,700)	Balance at 31 March	(25,900)

13. Cash Flow Statement – Non Cash Movements

2012/13		2013/14
Restated		
£		£
(85,059)	Depreciation Property Plant and Equipment	(89,995)
(1,787)	Amortisation Intangible Assets	(2,680)
(560,610)	Impairment Property Plant and Equipment	37,642
(7,500)	Carrying value of non-current asset sold	-
13,750	Donated Assets released to Comprehensive I&E	-
(150,000)	IAS19 charges for Retirement Benefits	(190,000)
	<u>Items on an accruals basis:</u>	
(3,724)	• Decrease in stock	(3,102)
62,665	• Increase / (Decrease) in Debtors	(16,510)
23,453	• (Increase)/ Decrease in Creditors	(72,524)
14,955	• Decrease in Provisions	23,857
(693,857)	Total Non Cash Movements	(313,312)

14. Cash Flow Statement – Operating Activities

2012/13		2013/14
£		£
2,034,990	Cash paid to and on behalf of employees	1,958,458
1,254,903	Operating cash payments	1,849,114
(2,955,341)	National Park Grant	(2,777,344)
(428,386)	Other external revenue grants (Note 16)	(851,437)
(209,925)	Other operating cash receipts	(303,408)
(42,599)	Bank interest received	(55,868)
(346,358)	Total cash flow from Operating Activities	(180,485)

15. Cash Flow Statement – Investing Activities

2012/13		2013/14
£		£
20,575	Purchase of property, plant and equipment	111,444
(3,750)	Proceeds from Sale of Assets under construction	-
-	Cash inflow Capital Grants	(59,230)
(1,000,000)	Maturing fixed term bonds	(1,500,000)
1,500,000	Investment of funds in one year fixed term bonds	1,300,000
516,825	Total cash flow from Investing Activities	(147,786)

16. Cash Inflow – Other External Grants (Revenue)

2012/13		2013/14
£		£
50,451	Natural England	175,886
31,534	National Lottery Funds	289,510
138,197	Leader Funding	214,629
-	Dept for Environment, Farming and Rural Affairs (DEFRA)	6,000
123,796	Modernisation Fund (DEFRA)	38,813
13,271	Local Authorities	47,450
29,517	Environment Agency	18,398
7,053	English Heritage	-
18,762	Charities	32,551
15,805	Other Grants	11,150
-	Private Sector Funding	17,050
428,386		851,437

17. 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)	2013/14	75,657	10,743	86,400
	2012/13	75,657	10,743	86,400

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

2012/13		2013/14
-	£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	1

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

Exit package cost band	Total number of exit packages per cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	2	2	£3,042	£16,000
£20,001 - £40,000	-	-	-	-
Total	2	2	£3,042	£16,000

18. Audit Costs

In 2013/14 Northumberland National Park Authority incurred the following fees relating to external audit:

2012/13		2013/14
£		£
11,568	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor	11,568
(1,000)	Audit Commission direct rebate of fees	(1,583)
10,568		9,985

19. Pensions

The disclosures below relate to the funded liabilities within the Northumberland County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The 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 to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007.

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 contributions to be paid until the date the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate. The Authority will pay down the pension liability by:

- Reducing the historical liability with annual fixed payments of £77,000;
- and reducing the variable debt on future pension liabilities by increasing its contribution to 15.1% (was 14.2%) of staff salary costs based on actuarial advice

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

The latest full actuarial valuation of Northumberland National Park Authority's liabilities took place as at 31st March 2013 and for the unfunded benefits element on the 31st March 2012. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	31 st March 2014 % p.a.	31 st March 2013 % p.a.	31 st March 2012 % p.a.
Discount rate	4.3%	4.5%	4.8%
RPI Inflation	3.4%	3.7%	3.6%
CPI Inflation	2.4%	2.8%	2.6%
Rate of increase to pensions in payment	2.4%	2.8%	2.6%
Rate of increase to deferred pensions	2.4%	2.8%	2.6%
Rate of general increase in salaries	3.9%	4.7%	5.1%

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.

Post retirement mortality

	31 st March 2014	31 st March 2013
<u>Males</u>		
Future lifetime from age 65 (aged 65 at accounting date)	22.9	22.5
Future lifetime from age 65 (aged 45 at accounting date)	25.1	24.3
<u>Females</u>		
Future lifetime from age 65 (aged 65 at accounting date)	25.4	24.7
Future lifetime from age 65 (aged 45 at accounting date)	27.7	26.6

We have been informed that the market value of the assets of the Northumberland County Council Pension Fund as at 31st March 2014 that were allocated to Northumberland National Park Authority was £9.34million (2012/13 £9.31million).

	Value at 31st March 2014			Value at 31st March 2013	Value at 31st March 2012
	Quoted £m	Unquoted £m	Total £m	Total £m	Total £m
Equities	5.83	0.51	6.34	6.40	5.48
Property	0.41	-	0.41	0.41	0.39
Govt. bonds	1.60	-	1.60	1.43	1.10
Corporate bonds	0.89	-	0.89	0.94	0.84
Cash	-	-	-	0.07	0.06
Other	-	0.10	0.10	0.06	
Total	8.73	0.61	9.34	9.31	7.87

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 2014 £m	31st March 2013 £m	31st March 2012 £m
Share of assets	9.34	9.31	7.87
Estimated funded liabilities	(11.94)	(13.12)	(11.42)
Estimated unfunded liabilities	(0.12)	(0.13)	(0.12)
Pension liability recognised on the Balance Sheet	<u>(2.72)</u>	<u>(3.94)</u>	<u>(3.67)</u>

Breakdown of amounts recognised in profit and loss / Surplus or Deficit on the Provision of Services and Other Comprehensive Income

	For the year ended 31st March 2014 £m	Restated For the year ended 31st March 2013 £m
Operating cost		
Current service cost*	0.35	0.32
Past service cost – incl. Curtailments	0.02	0.02
Financing Cost		
Interest on net defined liability / (asset) – funded pension scheme	0.17	0.16
Interest on net defined liability / (asset) – unfunded pension scheme	0.01	0.01
Pension expense recognised in profit and loss	<u>0.55</u>	<u>0.51</u>
Remeasurements in Other Comprehensive Income		
Return on plan assets (in excess of) / below that recognised in net interest	0.64	(0.74)
Actuarial (gains) / losses due to change in financial assumptions – funded pension scheme	(0.84)	0.87
Actuarial (gains) / losses due to change in financial assumptions - unfunded pension scheme	(0.01)	0.01
Actuarial (gains) / losses due to change in demographic assumptions	(0.37)	-
Actuarial (gains) / losses due to liability experience	(0.83)	(0.02)
Total Amount recognised in Other Comprehensive Income	<u>(1.41)</u>	<u>0.12</u>
Total Amount recognised	<u><u>(0.86)</u></u>	<u><u>0.63</u></u>

* The Current service cost includes an allowance for administration expenses of £0.01m

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

	For the year ended 31st March 2014	For the year ended 31st March 2013
	£m	£m
Opening defined benefit obligation	13.12	11.42
Current service cost	0.35	0.32
Interest expense on defined benefit obligation	0.59	0.55
Contributions by participants	0.09	0.09
Actuarial (gains) / losses on liabilities - financial assumptions	(0.84)	0.87
Actuarial (gains) / losses on liabilities - demographic assumptions	(0.37)	-
Actuarial (gains) / losses on liabilities - experience	(0.83)	(0.02)
Net benefits paid out #	(0.19)	(0.13)
Past service cost (incl. curtailments)	0.02	0.02
Closing present value of liabilities	11.94	13.12

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 fair value of assets during the accounting period

	For the year ended 31st March 2014	For the year ended 31st March 2013
	£m	£m
Opening fair value of assets	9.31	7.87
Interest income on assets	0.42	0.39
Remeasurement gains / (losses) on assets	(0.64)	0.74
Contributions by the employer	0.35	0.35
Contributions by participants	0.09	0.09
Net benefits paid out	(0.19)	(0.13)
Closing fair value of assets	9.34	9.31

Actual return on assets

	For the year ended 31st March 2014	For the year ended 31st March 2013
	£m	£m
Interest income on assets	0.42	0.39
Remeasurement gain / (loss) on assets	(0.64)	0.74
Actual return on assets	(0.22)	1.13

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

	<u>IFRS</u> For the year ended 31st March 2014 £m	<u>IFRS</u> For the year ended 31st March 2013 £m	<u>IFRS</u> For the year ended 31st March 2012 £m	<u>IFRS</u> For the year ended 31st March 2011 £m	<u>UKGAAP</u> For the year ended 31st March 2010 £m
Fair value of assets	9.34	9.31	7.87	7.04	6.24
Present value of defined benefit obligation (funded pension scheme)	(11.94)	(13.12)	(11.42)	(9.84)	(11.05)
Present value of defined benefit obligation (unfunded pension scheme)	(0.12)	(0.13)	(0.12)	(0.11)	(0.12)
Surplus / (deficit)	<u>(2.72)</u>	<u>(3.94)</u>	<u>(3.67)</u>	<u>(2.91)</u>	<u>(4.93)</u>

The Authority's contributions to the fund for the accounting period ending 31 March 2015 are estimated to be £0.29m. In addition unfunded benefits paid by the Authority directly to beneficiaries were £0.01m in 2013/14 and is expected to be £0.01m for the accounting period ending 31 March 2015.

Sensitivity Analysis

The results shown in this disclosure are sensitive to the assumptions used.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2014 and the projected service cost for the year ending 31st March 2015 is set out below.

In each case, only the assumption mentioned is altered, all the other assumptions remain the same and are summarised above. For inflation for example, it is assumed this will not change the salary inflation figure and will affect pension increases only.

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

Funded LGPS Benefits**Discount rate assumption**

Adjustment to discount rate	+0.1% pa	-0.1% pa
Present value of total obligation (£M's)	11.71	12.17
% change in present value of total obligation	-1.9%	1.9%
Projected service cost (£M's)	0.29	0.31
Approximate % change in projected service cost	-3.3%	3.3%

Rate of general increases in salaries

Adjustment to salary increase rate	+0.1% pa	-0.1% pa
Present value of total obligation (£M's)	11.98	11.89
% change in present value of total obligation	0.3%	-0.4%
Projected service cost (£M's)	0.30	0.30
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

Adjustment to pension increase rate	+0.1% pa	-0.1% pa
Present value of total obligation (£M's)	12.13	11.75
% change in present value of total obligation	1.6%	-1.6%
Projected service cost (£M's)	0.31	0.29
Approximate % change in projected service cost	3.3%	-3.3%

Post retirement mortality assumption

Adjustment to mortality age rating assumption*	- 1 year	+ 1 year
Present value of total obligation (£M's)	12.19	11.69
% change in present value of total obligation	2.1%	-2.1%
Projected service cost (£M's)	0.31	0.29
Approximate % change in projected service cost	3.3%	-3.3%

* 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.

20. Members Allowances

The total Northumberland National Park Authority Members allowances paid in the year was £37,332 (2012/13 £44,411).

The total Northumberland National Park Authority Members travel and subsistence paid in the year was £7,696 (2012/13 £5,190).

21. Financial commitments

Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2013/14 was £42,729 (2012/13 £36,924).

As at the balance sheet date, 31st March 2014, the National Park Authority had total future minimum lease payments under non-cancellable leases of £38,185 (31st March 2013 £81,281):

	31st March 2014		31st March 2013	
	Land and Buildings £	Vehicles £	Land and Buildings £	Vehicles £
Operating leases:				
Payments due within one year	-	27,987	-	8,525
Payments due within two and five years	-	10,198	-	72,756
	-	<u>38,185</u>	-	<u>81,281</u>

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

22. Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of the "National Park Grant" from the Department of the Environment, Food and Rural Affairs (DEFRA). Note 6 sets out the amount of "National Park Grant" received during the year 2013/14.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 20. 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 2013/14. Details are set out in the following table.

Payments to related parties

	Nature of relationship	Payments to related party 2013/14 £	Due to related party at 31.3.14 £	Payments to related party 2012/13 £	Due to related party at 31.3.13 £
Northumberland County Council	a.	34,218	20,235	51,592	2,740
Bardon Mill & Henshaw Village Hall	b.	25,379	-	-	5,000
Elsdon Village Hall Trust	b.	720	-	55	-
Glendale Agricultural Society	b.	2,918	-	-	-
Glendale Gateway Trust	b.	5,700	-	2,450	-
Greenhead Village Hall	b.	350	-	-	-
Tynedale Agricultural Society	b.	1,277	-	-	-

Receipts from related parties

Figures for 2012/13 and 31.3.13 have been restated to include grants administered by Northumberland as the accountable body	Nature of relationship	Receipts from related party 2013/14 £	Due from related party at 31.3.14 £	Receipts from related party 2012/13 Restated £	Due from related party at 31.3.13 Restated £
Northumberland County Council	a.	298,154	52,320	139,890	27,414

Nature of relationship:

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

23. Property, Plant and Equipment

Movements in Property, Plant and Equipment during 2012/13:	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Assets Under Construction £	Total £
Cost / valuation as at 1st April 2012	2,417,466	-	556,501	123,364	3,097,331
Movement in assets under construction	115,864	-	-	(115,864)	-
Reclassification	(165,911)	165,911	-	-	-
Additions	20,575	-	-	-	20,575
De-recognition & Disposals	-	-	(254,226)	(7,500)	(261,726)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	492,749	60,893	-	-	553,642
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,054,246)	117,214	-	-	(937,032)
Cost / Valuation as at 31st March 2013	1,826,497	344,018	302,275	-	2,472,790
Accumulated Depreciation as at 1st April 2012	376,422	-	464,951	-	841,373
Reclassification	(23,110)	23,110	-	-	-
Depreciation Charge	43,738	12,250	29,071	-	85,059
De-recognition & Disposals	-	-	(254,226)	-	(254,226)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(353,312)	(23,110)	-	-	(376,422)
Accumulated depreciation as at 31 March 2013	43,738	12,250	239,796	-	295,784
Net Book Value as at 31st March 2012	2,041,044	-	91,550	123,364	2,255,958
Net Book Value as at 31st March 2013	1,782,759	331,768	62,479	-	2,177,006

Additions to Property, Plant and Equipment, were financed through revenue in 2012/13.

All Land and Buildings were revalued as at the 1st April 2012 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 2013/14:

	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Assets Under Construction £	Total £
Cost / valuation as at 1st April 2013	1,826,497	344,018	302,275	-	2,472,790
Movement in assets under construction	-	-	-	-	-
Reclassification	272,840	(272,840)	-	-	-
Additions	-	-	59,230	52,214	111,444
De-recognition & Disposals	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	15,621	-	-	-	15,621
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(7,059)	-	-	-	(7,059)
Cost / Valuation as at 31st March 2014	2,107,899	71,178	361,505	52,214	2,592,796
Accumulated Depreciation as at 1st April 2013	43,738	12,250	239,796	-	295,784
Reclassification	23,062	(23,062)	-	-	-
Depreciation Charge	43,738	12,250	34,007	-	89,995
De-recognition & Disposals	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(44,701)	-	-	-	(44,701)
Accumulated depreciation as at 31 March 2014	65,837	1,438	273,803	-	341,078
Net Book Value as at 31st March 2013	1,782,759	331,768	62,479	-	2,177,006
Net Book Value as at 31st March 2014	2,042,062	69,740	87,702	52,214	2,251,718

Additions to Property, Plant and Equipment, have been financed through revenue and capital grants in 2013/14.

Following a change in charges all pay and display car parks were re-valued as at the 31st March 2014; also on that date the former Ingram Visitor Centre was no longer classified as a surplus asset and was re-valued. 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 2014.

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

	2012/13	2013/14
Administrative offices	1	2
Visitor centres / tea rooms	4	3
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	5	5
Car parks / toilets	6	6

Acquisitions

Hexham Enterprise Hub@Eastburn

£52,214 of expenditure was capitalised during 2013/14, this was the cost of works taking place to create a Rural Business Enterprise Hub at the Authority's Headquarters in Hexham as part of Defra's North East Rural Growth Network Programme. The works were part funded by grant (£39,526) and part funded by revenue (£12,688). Further works will take place during 2014/15 with completion expected before the end of the year.

Wildfire Detection Camera

As part of the LEADER Rural Development Programme for England the Authority spent £59,230 on capital works to set up a pilot Automatic Wildfire Detection System. The pilot project is a three year trial whose aim is to improve the detection of wildfires within rural locations. The project was fully funded by LEADER capital grant.

Outstanding Capital Commitments

As at the 31st March 2014 the Authority had outstanding capital commitments on the Hexham Enterprise Hub@Eastburn project as follows:

Committed but not yet spent	£ 19,836
Approved but not yet committed	£143,719

The expenditure will be funded from revenue and capital grant.

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 £3k 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 2012/13 and 2013/14 were as follows:

	2012/13	2013/14
	£	£
Cost / valuation balance as at 1 st April	13,400	13,400
Acquisitions	-	-
Cost / valuation balance at as 31 st March	<u>13,400</u>	<u>13,400</u>
Cumulative Amortisation balance as at 1st April	-	1,787
Amortisation for the year	1,787	2,680
Cumulative Amortisation Balance as at 31 March	<u>1,787</u>	<u>4,467</u>
Net Book Value as at 31st March	<u><u>11,613</u></u>	<u><u>8,933</u></u>

An external IT company developed an IT software programme specifically for Development Management. The software programme came into use on the 1st August 2012 and has been amortised from that date.

25. Heritage Assets

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

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

There are assets owned or leased on a long term basis by the Authority which are considered to fall within the category of Heritage Assets. These have not been valued 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:

31.03.13		31.03.14
£		£
311	Confectionery	273
3,423	Books	2,277
3,098	Maps	2,122
3,637	Souvenirs	3,719
-	Hot Drinks Vending Machine	158
2,124	Clothing	942
12,593	Total Goods for Resale	9,491

There was no write off of obsolete stock at the end of the financial year (£159 was written off in 2012/13).

27. Debtors

31.03.13		31.03.14
£		£
3,705	Trade debtors	8,686
164,557	Grant claims*	189,192
22,703	Other taxation	35,512
38,813	Defra Modernisation Grant Claim	-
87,924	Other debtors and accrued income	67,802
317,702		301,192

Further analysis of debtors total at year end by organisation type

31.03.13		31.03.14
£		£
61,516	Central Government Bodies	37,095
27,414	Local Authorities	52,320
228,772	Other entities and individuals	211,777
317,702		301,192

*Note to align with note 16 Defra Modernisation grant has been split out from Grant claims.

28. Cash and cash equivalents

31.03.13		31.03.14
£		£
719,398	Bank Deposits	1,001,493
2,516	Bank Accounts	48,692
1,000	Petty cash	1,000
722,914		1,051,185

29. Creditors

31.03.13		31.03.14
£		£
32,049	Other tax and social security	31,010
149,954	Accruals	211,553
60,883	Receipts in advance – external grants	79,860
13,705	Receipts in advance – sales, fees and charges	4,880
-	Other creditors	4,612
28,700	Provision for accumulated absences	25,900
285,291		357,815

Further analysis of creditors at year end by organisation type

31.03.13		31.03.14
£		£
32,049	Central government bodies	31,010
20,203	Other local authorities	58,046
233,039	Other entities and individuals	268,759
285,291		357,815

30. Provision for restructuring costs

	£
Balance at 1st April 2013	23,857
Amounts used in 2013/14	(23,857)
Unused amounts reversed in 2013/14	-
Additional provisions made in 2013/14	-
Balance at 31st March 2014	-

In preparing the Statement of Accounts for 2011/12 the cost of redundancies to be made during 2012/13 was provided. The final payment of £23,857 was paid in May 2013.

31. Financial Instruments

31.1 Financial Assets

Financial assets are assets which have fixed or determinable payments but are not quoted in an active market. At the year end the only financial instruments held by the Authority are Short-Term Receivables totalling £301,192 (2012/13 £317,702) and Short Term Investments being two 1 year Fixed Term Bonds totalling £1,300,000 (2012/13 three 3 year fixed term bonds totalling £1,500,000).

Financial assets represented by the fixed term bonds 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.

31.2 Financial Liabilities

Long term Financial liabilities are shown within the balance sheet as Pensions Liability £2,720,000 (2012/13 £3,940,000) and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of investment for the instrument.

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 £357,815 (2012/13 £309,148) 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.

The only financial liabilities held by the Authority are classified as other payables.

31.3 Liquidity Risk

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

31.4 Interest Risk

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

31.5 Exchange Risk

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

31.6 Credit Risk

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

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

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

In relation to trade debtors at 31st March past due but not impaired, there was one outstanding invoice greater than 30 days. One invoice for £3,600 was less than 60 days but still remains outstanding, however it is not considered a bad debt. All other balances past due but not impaired had been collected prior to the accounts being approved for audit in June 2013.

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.