Northumberland National Park Authority

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2011

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Summary of the 2010/11 Financial Year

Background

The 2010/11 financial year was the most dramatic year for Northumberland National Park Authority since the organisation was established in 1997. The year began with the Authority setting a fully funded prioritised three-year Business Plan to deliver our contribution to the new National Park Management Plan launched the previous year. However, a change of government and steps to address the national debt resulted in the Authority undertaking a root and branch review of all work areas to implement a 33% reduction in core government funding by 2014. Throughout Summer and Autumn the Authority's staff and members re-prioritised resources and drafted plans for cuts of up to 30%.

In addition, Defra initiated a review of National Park Authority governance which required additional local consultation on local proposals as well as the national consultation exercise. In addition the Authority brought forward its independent performance assessment from October 2011 to November 2010 in order to help inform its future priorities. This represented a significant element of additional work.

The Authority also had to respond to two very serious business continuity issues:

- the first was the threat to the public and tourism businesses from the threat posed by the hunt for the fugitive Raoul Moat; and
- the second was the severe winter weather which blocked many access roads to the upper valleys of the National Park for weeks on end in November / December.

At the end of the financial year the Authority had set a new staff structure (including a 50% reduction in management) and a four year budget plan to deliver £1m of cuts in programmes and activities. The expected review of governance by Defra was still ongoing at the end of the financial period. This action will be carried forward into the new financial year.

Key Financial Movements in the Year

In 2010/11 Gross Income was down by £1.1m due to a reduction in core Defra funding of £71,000 and the previous year's one-off effects of the exceptional planning delivery grant received from the Department of Communities and Local Government of £888,000 and the £200,000 capital grant received from Defra to purchase the Coquetdale Centre.

Gross expenditure decreased from £4.4m in 2009/10 to £3.4m in 2010/11. This is mainly because of the required £1.3m credited to the Comprehensive Income and Expenditure statement relating to the pension fund. The credit is principally as a result of the negative past service cost arising from the change in inflation index to be used to derive statutory pension increases. This is partially offset by the accountancy practice requirement to set a provision of £389,000 for planned staff redundancies in the following year (2011/12).

In overall terms the Authority's General Fund Balances fell by £0.31m. Total reserves at the end of the year were £0.72m and the pension deficit was £2.91m.

The Pension Deficit has fallen from £4.93m to £2.91m due in the main to the following factors:

- a £0.76m fund performance gain (partly offsetting the previous year's fund loss of £1.1m); and
- a £1.33m reduction in liabilities as a result of the reduction in the value of future pension payments to staff.

£1.28m of the pension deficit is a fixed historical debt. The Authority is paying-down this liability across the next ten years i.e. £128,000pa. The variable debt on future pension liabilities (currently stand at £1.63m) is being financed by the Authority contributing 14.2% of staff salary costs or £206,000pa into the pension fund based on actuarial advice.

Key Achievements Included

Independent Performance Assessment

In November 2010 Northumberland National Park Authority was independently assessed through the National Park Authorities Performance Assessment programme as delivering to a very high standard with two of its service areas identified as exemplary. The assessment reported notable improvements since the last assessment in 2005. The Authority is considered to be exemplary in:

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

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

Our Performance

Despite the additional work the Authority has continued to deliver strong performance against the original work plan with our frontline services remaining largely intact in the year.

We performed strongly in:

- Piloting a youth volunteer initiative;
- Completing rural skills training projects;
- Delivering biodiversity actions;
- Adding value to Higher Level Stewardship agreements;
- Delivering climate change mitigation measures;
- Securing funds to improve rural broadband, and;
- Enabling local businesses and communities through the Action Area approach.

We made good progress in:

- Making access improvements, and;
- Developing a landscape strategy for the National Park.

We under-performed by:

- Only partially delivering climate change adaptation actions;
- Making minimal progress on a habitat and species monitoring programme, and;
- Failing to make significant progress against our targets to improve the historic environment.

Finance

The Authority responded well to two key strategic risks – the economic situation and legislative changes. The economic situation has had mixed effects; the improving economic position of the equity markets has significantly reduced the Authority's pension deficit whereas the state of the government's finances has resulted in unprecedented cuts to core government funding.

The Authority's financial position remains vulnerable as Northumberland National Park Authority was unable to avoid the most serious impacts of the recession. Furthermore our notable role in enabling the recovery of rural areas by, for example, taking on over 20 trainees, was curtailed in February 2011 by a rule change on the funding and the Authority's reduced financial capacity.

The level of uncertainty in the future requires the Authority to remain cautious with its financial resources, whilst meeting its statutory duties and government, public and partner expectations for providing quality services and addressing new national priorities.

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 account summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year.

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

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

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

Statement of Accounting Policies
Discloses the accounting policies used by the National Park Authority in compiling the financial statements.

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

FINANCIAL POSITION

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

The Authority is dependent on funding (the "National Park Grant") from the Department for the Environment Farming and Rural Affairs (DEFRA) which, at £3.1million, amounted to 74% of its income in

Explanatory Foreword (continued)

2010/11. The “National Park Grant” will reduce by 33% by 2014 as a result of the overall government funding cuts.

The majority of the Authority’s expenditure is on salaries and staff-related expenditure, which amounted to £3.13 million in 2010/11. This includes a provision recognised for redundancy and strain on the pension fund costs of £0.39m in relation to an ongoing restructuring exercise. Funds for many programmes and services continue to be dependent on income generation.

The deficit on the Authority’s pension fund has decreased by £2.02m to £2.91 million. The reduction in this liability has returned the Authority’s balance sheet back to a positive position ie the assets of the Authority are now valued higher than its liabilities. The principal reason for the reduction in the liability is due to UK Government's announcement on 22nd June 2010, that the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). There is still a significant liability outstanding however the Pension Reserve is a non cash reserve which reflects a long term issue to be resolved in all public sector organisations. The Authority has positive balances on the General Fund and Capital Receipts Reserve.

Income and Expenditure

The decrease in general fund balances for the year was £309,700 compared to £1,070,000 increase in 2009/10.

The Net Cost of Services stayed the same as the previous year at £2,173,000, but the expenditure and income figures year- on-year varied significantly.

The Cost of Services Gross Expenditure decreased year-on-year by £874,300. The main contributor to this was the pension fund adjustments required by International Accounting Standard (IAS) 19, whereby expenditure in net cost of services was reduced by £1.38 million, £1.33 m of which was because of the negative past service cost arising from the government enforced change in pension index to Consumer Price Index rather than Retail Price Index. The other main reason for the expenditure variance was the requirement to create a provision for redundancy costs which were virtually certain to be incurred in 2011/12 due to the restructuring exercise being undertaken to address the funding cuts being imposed over the next 4 years.

The Cost of Services Gross Income decreased year-on-year by £874,000. The main reason for this was the receipt of the windfall planning related grants received in 2009/10 being some £888,000 more than planning related grants received 2010/11.

The budgeted reduction in General Fund Balances for 2010/11 was £489,500. The actual decrease was £309,700 – a variance of £179,800. However the costs of the provision for restructuring (£389,300) was not included in the budget as the costs will be incurred in 2011/12, therefore this amount should be discounted in the explanation of the budget variance.

The variance against budget was £568,000 underspend/ over-recovery of income. £321,000 of unspent budget will be carried forward into the 2011/12 budget. The carry forward figure includes:

- £30,000 to develop and implement a new development control IT system not completed in year due problems engaging contractors working on similar project with a neighbouring Authority;
- £45,000 released to develop a Heritage Lottery Fund bid to build a new Visitor Centre at the Once Brewed site, subsequent changes to the funders processes allowed for a significantly slimmed down bid meaning less money was required to be spent upfront on detailed work. The carry forward will match fund the future stages of the project if the bid is successful;
- £97,000 being the National Park contribution to external projects which last more than one financial year and to which the National Park is committed to see through to completion and;
- the visitor centres refurbishment budget of £85,000 which is a planned year on year accumulating fund. The forecast and unplanned net underspend totalled £247,000.

Explanatory Foreword (continued)

The Authority were informed of the forecast underspend of £100,000 in time for this to be taken into account as spare resource when setting the 2011/12 to 2014/15 four year budget plan. The unplanned net underspend was £134,000, equivalent to 2.8% of budget expenditure.

Variances of note in the overall underspend of £234,000 include:

- £51,000 in backdated business rates rebates;
- £40,000 of planning burden grants not budgeted for due to the uncertainty regarding the likelihood of receipt;
- £20,000 additional bank income due to a change in treasury strategy;
- the remainder recognises a drop in the activity levels during a time of significant change and uncertainty during the 3rd and 4th quarters of the year

Capital

The £1,300 of capital receipts allocated for completion of a contract relating to historic building improvements was not utilised. The actual charge for the contract was only £400 and was charged to revenue. There is £34,301 in the capital receipts reserve at the end of the year, the Authority agreed to allocate £33,000 to fund the replacement of the roof at the Coquetdale Centre which was damaged by the severe winter weather conditions. This capital work will take place in 2011/12. There is £1,301 of capital receipts unallocated.

£20,000 was credited to the capital receipts reserve from the sale of a barn at Greenlee farm. The net book value of which was £13,352, the profit on disposal being £6,648. Negotiations around the sale had been ongoing for a number of years and this was not classified as an available for sale asset as it was not certain the sale would take place.

Statement of Responsibilities for the Statement of Accounts

Responsibilities of the National Park Authority

The National Park Authority is required to:

- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- 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; and
- approve the Statement of Accounts.

Responsibilities of the Chief Financial Officer

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

The Chief Financial Officer is responsible for the preparation of the National Park Authority's statement of accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain (the “Code of Practice”), is required to present a true and fair financial position of the National Park Authority at the 31st March 2011 and its income and expenditure for the year then ended.

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

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

The Chief Financial Officer has also:

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

The Chief Financial Officer should sign and date the Statement of Accounts, stating that it presents a true and fair financial position of the National Park Authority as at 31st March 2011 and its income and expenditure for the year then ended.

The Chief Financial Officer is responsible for:

- providing a technical update service on financial matters to the Authority;
- reporting directly to Members of the Authority (under S.114 of the Local Government Act 1972) on potential illegal acts or where expenditure exceeds available resources; and
- commenting on the financial aspects of significant proposals made to the Authority for consideration.

Annual Governance Statement

Introduction
Northumberland National Park Authority is required to undertake proper practices in relation to its accounts as defined by the Account and Audit Regulations 2003. Thus an Annual Governance Statement is required for the year ending 31st March 2011. This needs to be produced alongside the Annual Accounts.

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

The Purpose of the Annual Governance Statement
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues detailed below, accords with proper practice.

The Internal Control Environment
Establishing and monitoring the achievement of the Authority's objectives

The Authority has a hierarchy of plans, headed by a statutory National Park Management Plan which sets its work for the next 10 years, with a planned review after 5 years. Key strategic aims are set as part of the statutory National Park Management Plan following wide consultation with community groups and stakeholders. The strategic aims are cascaded into outcomes and objectives for the next 5 years. Two types of indicators exist to inform whether these have been achieved:

1. State of the Park indicators (e.g. condition of the 12,453 ha of Sites of Special Scientific Interests).
2. Corporate Plan targets (key performance indicators), which indicate the success of the Authority in activities directly related to achieving Management Plan objectives (e.g. 88% of applicants being satisfied with the planning service).

A review of the National Park Management Plan commenced in March 2008 and a new Management Plan was adopted in June 2009. This informs detailed work planning to 2014 which is reported on annually as the National Park Management Plan Action Plan and the State of the Park Monitoring Report. In addition a number of Management Plan targets are key performance indicators which are reported on quarterly and annually as part of the corporate performance management system.

The National Park Management Plan strategic aims are key to determining the prioritisation of resources which informs the three-year budget plan and Business Plan. The prioritised activities are set with a Three Year Business Plan and actions to achieve this are set-out in detail in the annual Corporate Plan. The Authority approved its first Three Year Business Plan in March 2010, this is revised each year. These actions are then cascaded into directorate service plans and individual forward work plans. Strategic priority setting is undertaken by the Authority every three years and was carried out in 2009 for the period 2010/11 to 2012/13. This was undertaken again in 2010 in response to the Defra cut of 33% in core grant to the National Park Authority. These revised priorities have been used to set the four year budget plan 2011/12 to 2014/15.

Annual Governance Statement (continued)

Policy and decision making

All policy is made by the Authority. The development of policy is assisted by regular member policy conferences and is supported and informed by task and finish groups of members, staff and partners. Detailed policy is developed within the directorates (departments 2011/12 onwards) and this work is always sponsored by a Director (Head of Department 2011/12 onwards) or the Chief Executive. All policy decisions are therefore recorded in official and publicly available minutes.

Decision making is regulated by the Authority's Standing Orders, Scheme of Delegation, Financial Procedures and member and officer Codes of Conduct. The Authority has adopted the Model Code of Conduct for members – further details of which can be found on the website: www.northumberlandnationalpark.org.uk/membersconduct. The decision-making process benefits from high level legal and financial advice via the Chief Financial Officer and Monitoring Officer. In addition the Authority has appointed an independent member to chair the Standards Committee, which ensures the activities of members comply with legislation and regulations. 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, estate management, development control, forward planning, historic buildings, ecology, archaeology and recreational access. Note, the member Model Code of Conduct and the Standards Committee are due to be abolished by government in late 2011 or early 2012. This and other changes will be part of the Authority's planned review of governance.

Identifying, assessing and monitoring risks

The Authority has set a hierarchy of risk management which is delivered through the annual Corporate Risk Management Framework, which identifies areas of highest strategic risks. This is then cascaded into work programmes including priority actions for senior managers in order to effect mitigation of risk. In addition the Authority has separate programmes to address health and safety; local resilience and business continuity; and equality.

Internal Audit is focussed on corporate risk and systems of control. This is high level advice which is in part influenced by the Corporate Risk Management 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 influenced by the annual findings of the Authority's Review Panel.

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.

The Authority's work is routinely scrutinised by its Review Panel who enlist the support and advice of external partners. These members of the Authority provide a nationally recognised good model of high support and high challenge.

Ensuring economical, effective and efficient use of resources

Following the National Park Authority Performance Assessment (July 2005) which found the Authority had no areas of weakness but a number of areas which could be improved, the Authority has striven to become an excellent Authority. This aim has been realised as the 2010 National Park Authority Performance Assessment (assessed to a higher standard) found the Authority was delivering to a very high standard with two of its service areas identified as exemplary. The Authority is considered to be exemplary in:

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

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

Annual Governance Statement (continued)

The Authority, as a matter of principle, routinely market-tests many of its services, including property services, legal services and internal audit. The Authority's purchasing strategy is being used to drive improved services where the essential criterion is based on gaining best value and not just lowest cost service provision.

In the 2010/11 budget plan a target to achieve £30,000 in additional savings was set. This was partly met in year but the need to fund £1m of ongoing cut over the next four years superseded the original target and plan of action. When the cut in National Park Grant was confirmed the Authority agreed to write out of the budget all outstanding savings targets so as to create a robust base budget from which to plan to reduce expenditure and increase income to balance the budget over the four year period 2011/12 to 2014/15.

Staffing is a significant resource for the Authority, amounting to two-thirds of the budget. The Authority aims to continually develop its staff and has been recognised as an Investor in People for 10 years now. A strategy for Human Resources was approved by the Authority in September 2008 and this is implemented via an annual Human Resources plan which informs and is informed by the annual Corporate Plan.

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

Financial management

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

The Standing Orders and Financial Regulations were reviewed and amendments agreed in September 2010 and will need to be amended in 2011/12 to reflect the requirements of the restructured organisation. This is planned for December 2011 to coincide with the conclusion of the review of governance.

A modern, easy to use, financial monitoring system is accessible by all accountable staff on their desktops. The Strategic Management Team (Leadership Team 2011/12 onwards) reviews the budget quarterly, with key issues being reported to members. All managers are required to keep up to date with their budget and project performance management and report on this on a monthly basis. The Authority receives annual and quarterly financial reports. Key targets and areas of high corporate risk are regularly reported to the Authority alongside performance of projects.

Performance management

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

Projects and other key areas of work are examined quarterly by the Strategic Management Team (Leadership Team 2011/12 onwards) with significant issues being reported to the Authority.

Annual Governance Statement (continued)

Directors (Head of Departments 2011/12 onwards) 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 as part of a corporate plan in which it sets current year's targets 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 through publication of an Annual Report, through the Authority's website and in public at an annual National Park Forum.

Review of Effectiveness
External Audit provide a management letter to the Authority annually. Recommendations within the letter are considered by the lead members and the Strategic Management Team (Leadership Team 2011/12 onwards) to produce an action plan to address any areas of weakness. The delivery of the action plan is scrutinised by the Review Panel to ensure the annual process works as intended. The Review Panel therefore provides an audit committee / overview role. Executive action is taken by the Chief Executive and corporate issues raised are discussed and action-planned by the Strategic Management Team (Leadership Team 2011/12 onwards). In addition, the Review Panel receive an annual report from the Internal Audit service describing the results of their annual work programme.

The Review Panel examines the effectiveness of the system of internal control on an annual basis. A Strategy Review Update report is received from our internal auditors, RSM Tenon for the three year internal audit programme; this was examined by the Review Panel in August 2011.

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

Internal Audit reported on the following areas in 2010/11:

- Procurements and Payments
- Carbon Reduction Programme
- Operational Audit - Action Areas
- Assurance Stock take

The internal auditors made 8 recommendations as a result of these audits and a follow-up audit of previous recommendations. Of these recommendations, 3 were categorised as medium priority, 5 as low priority but none as high priority.

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

We have audited the accounting statements of Northumberland National Park Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 30. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Northumberland National Park Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Manager and auditor

As explained more fully in the Statement of Responsibilities, the Finance Manager is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority; and the overall presentation of the accounting statements. We read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounting statements

In our opinion the accounting statements:

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

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

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

Matters on which we report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion, the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 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. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Northumberland National Park Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Independent Auditor’s Report to the Members of Northumberland National Park Authority (continued)

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, United Kingdom

14th September 2011

Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2011

Restated 2009/10 (Note 1)				2010/11		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£	**£**	**£**		**£**	**£**	**£**
445,496	(79,240)	366,256	Conservation of Natural Environment	484,262	(168,749)	315,513
670,207	(310,656)	359,551	Conservation of Cultural Heritage	399,916	(164,945)	234,971
410,460	(204,402)	206,058	Recreation Management and Transport	293,353	(197,086)	96,267
827,933	(89,353)	738,580	Promoting Understanding	680,948	(74,678)	606,270
627,476	(996)	626,480	Rangers, Estates and Volunteers	463,422	(25)	463,397
203,346	(9,190)	194,156	Development Control	107,406	(15,530)	91,876
544,362	(1,236,946)	(692,584)	Forward Planning and Communities	530,732	(422,358)	108,374
379,724	(5,211)	374,513	Corporate Management and Administration	274,628	(18,247)	256,381
4,109,004	**(1,935,994)**	**2,173,010**	**Cost of Services**	**3,234,667**	**(1,061,618)**	**2,173,049**
1,000	0	1,000	Other operating expenditure (Note 5)	13,352	(20,000)	(6,648)
260,000	(6,596)	253,404	Financing and investment income and expenditure (Note 6)	120,000	(29,060)	90,940
0	(3,382,081)	(3,382,081)	Non specific grant income (Note 7)	0	(3,114,903)	(3,114,903)
		(954,667)	**Surplus on Provision of services**			(857,562)
		1,130,000	Actuarial (Gains)/ losses on pension fund assets and liabilities (Note 19)			(760,000)
		1,130,000	**Other Comprehensive Income and Expenditure**			**(760,000)**
		175,333	**Total Comprehensive Income and Expenditure**			**(1,617,562)**

The above Income and Expenditure Account shows a true and fair view of the income and expenditure of the Authority for the year ended 31st March 2011.

The notes on pages 23 to 50 form an integral form an integral part of this income and expenditure account.

…………………………………………………….. Chief Financial Officer

…………………………………………………….. Date

Movement in Reserves Statement for the Year Ended 31st March 2011

	General Fund Balance £	Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
Balance as at 31 March 2009	**662,458**	**16,967**	**679,425**	**(1,399,672)**	**(720,247)**
Movement in reserves during 2009/10					
Surplus on the provision of services	954,667	0	954,667	0	954,667
Other comprehensive income and expenditure (Note 19)	0	0	0	(1,130,000)	(1,130,000)
Total comprehensive income and expenditure	**954,667**	0	**954,667**	(1,130,000)	**(175,333)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	115,182	(2,666)	112,516	(112,516)	0
Increase/ (Decrease) in 2009/10	**1,069,849**	**(2,666)**	**1,067,183**	**(1,242,516)**	**(175,333)**
Balance as at 31 March 2010	**1,732,307**	**14,301**	**1,746,608**	**(2,642,188)**	**(895,580)**
Movement in Reserves during 2010/11					
Surplus on the provision of services	857,562	0	857,562	**0**	857,562
Other comprehensive income and expenditure (Note 19)	0	0	0	760,000	760,000
Total comprehensive income and expenditure	**857,562**	**0**	**857,562**	**760,000**	**1,617,562**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(1,167,306)	20,000	(1,147,306)	1,147,306	0
Increase/ (Decrease) in 2010/11	**(309,744)**	**20,000**	**(289,744)**	**1,907,306**	**1,617,562**
Balance as at 31 March 2011	**1,422,563**	**34,301**	**1,456,864**	**(734,882)**	**721,982**

The notes on pages 23 to 50 are an integral part of this Movement in Reserves Statement.

Balance Sheet as at 31st March 2011

Restated (Note 1) 1 April 2009 £	Restated (Note 1) 31 March 2010 £		Note	31 March 2011 £
			23.	
2,299,329	2,334,113	Property, Plant and Equipment		2,233,369
2,299,329	**2,334,113**	**Long Term Assets**		**2,233,369**
26,966	22,617	Inventories	24.	20,773
268,522	297,699	Short Term Debtors	25.	181,506
967,175	1,765,076	Cash and Cash Equivalents	26.	1,203,799
0	0	Short Term Investments	29.	750,000
1,262,663	**2,085,392**	**Current Assets**		**2,156,078**
(422,239)	(385,085)	Short Term Creditors	27.	(354,453)
(200,000)	0	Capital Grants Receipts in Advance		-
0	0	Provision	28.	(389,262)
(622,239)	**(385,085)**	**Current Liabilities**		**(743,715)**
0	0	Donated Assets Account	23.	(13,750)
(3,660,000)	(4,930,000)	Pensions Liability	19.	(2,910,000)
(3,660,000)	**(4,930,000)**	**Long Term Liabilities**		**(2,923,750)**
(720,247)	**(895,580)**	**Net Assets / (Liabilities)**		**721,982**
679,425	1,746,608	Usable reserves	11.	1,456,864
(1,399,672)	(2,642,188)	Unusable reserves	12.	(734,882)
(720,247)	**(895,580)**	**Total Reserves / (Deficit)**		**721,982**

The above Balance Sheet presents a true and fair financial position of the Authority as at 31st March 2011.

The notes on pages 23 to 50 are an integral part of this balance sheet.

……………………………………………………….. Chief Financial Officer

……………………………………………………….. Date

Cash Flow Statement for the Year Ended 31st March 2011

2009/10		**2010/11**
£		**£**
(954,667)	Net (surplus) on the provision of services	(857,562)
(54,818)	Adjustments to net surplus on the provision of services for non-cash movements (Note 13)	584,718
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing activities	20,000
(1,009,485)	Net cash flows from Operating Activities (Note 14)	(252,844)
211,584	Investing Activities (Note 15)	814,121
(797,901)	Net (increase)/ decrease in cash and cash equivalents	561,277
(967,175)	Cash and cash equivalents at the beginning of the reporting period	(1,765,076)
(1,765,076)	**Cash and cash equivalents at the end of the reporting period (Note 26)**	(1,203,799)

The notes on pages 23 to 50 are an integral part of this cash flow statement.

Statement of Accounting Policies

The accounts have been prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in The United Kingdom (the "Code of Practice") and Best Value Accounting Code of Practice.

Accounting Convention

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of land and buildings and financial instruments.

Property, Plant and Equipment

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

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

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

Depreciation

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

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.

Stock

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

Debtors and Creditors

The revenue and capital accounts of the Authority are, in general, maintained on an accruals basis in accordance with International Reporting Standard (IAS) 18. The accounts reflect sums due to or incurred by the Authority during the year whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for creditors and debtors at 31st March 2011.

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.

Statement of Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

Statement of Accounting Policies (continued)

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.

Financial Instruments

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

The accounting treatment of a financial instrument depends on its classification on initial recognition. There are two classes of financial liabilities and four classes of financial assets:

- Financial Liabilities - amortised cost and fair value through profit or loss; and
- Financial Assets - loans and receivables, available-for-resale, fair value through profit and loss and held to maturity

The accounting policies for financial instruments (see note 29) have been applied in full.

Notes to the Accounts

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£	£
Provisions	0	39,000
Accumulated Absences Account	0	(39,000)

31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£	£
Provisions	0	(46,300)
Accumulated Absences Account	0	46,300

1. Transition to IFRS (continued)

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net):

	2009/10 Statements £	Adjustments Made £
Conservation of Natural Environment	444,996	500
Conservation of Cultural Heritage	667,807	2,400
Recreation Management and Transport	409,760	700
Promoting Understanding	820,057	100
Rangers, Estates and Volunteers	625,176	2,300
Development Control	201,946	1,400
Forward Planning and Communities	543,662	700
Corporate Management and Administration	380,524	(800)

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures. The Promoting Understanding service expenditure line has been increased by £7,776 in respect of this element and the adjustments between accounting basis and funding basis under regulations line in the Movement in reserves has been credited by the same amount. The same amount has been adjusted between the Government Grants Deferred Account at 31 March 2010 has been transferred to the Capital Adjustment Account in the closing 31st March 2010 balance sheet.

- A capital grant of £200,000 was received by Defra to fund the purchase of the Coquetdale Centre and this amount was originally credited to the Government Grants Deferred. In the restated accounts this amount has been recognised in full in Non-specific grant income and reversed through the adjustments between accounting basis and funding basis under regulations line in the Movement in reserves. The Balance Sheet adjustment was debit Government Grants Deferred account and credit the Capital Adjustment Account.

1. Transition to IFRS (continued)

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £	Adjustments Made £
Government Grants Deferred Account	(30,443)	30,443
Capital Adjustment Account	1,922,610	(30,443)

31 March 2010 Balance Sheet: (1st April 2009 changes made)

	2009/10 Statements £	Adjustments Made £
Government Grants Deferred Account	(192,224)	192,224
Capital Adjustment Account	1,953,053	(192,224)

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year as follows:

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Buildings	Budget is available for the repair and maintenance of the Authority's buildings. The core government funding cuts could result in the standard to which buildings are currently maintained decreasing.	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 £8k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £0.90m for funded Local Government Pension Scheme (LGPS) benefits. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £0.59m as a result of estimates being corrected as a result of experience and decreased by £0.18m attributable to updating of the assumptions.

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

The 2011/12 Code has introduced a change in accounting policy regarding the treatment of Heritage Assets held by the Authority. Heritage Assets are assets that are held principally for their contribution to knowledge or culture. The Code requires that the relevant standard (FRS 30 Heritage Assets) be fully adopted by the Authority in the 2011/12 financial statements and requires a new class of asset to be disclosed separately on the face of the Authority's Balance Sheet.

The Authority leases land and access routes to Thirlwall Castle and Harbottle Castle. A net book value attributable to Harbottle Caste of £11,610 is currently held in the Authority's Balance Sheet.
This asset will be reclassified as a Heritage Asset in the 2011/12 Financial Statements. The Code also requires that Heritage Assets are measured at valuation. The value of the above named leased assets has not yet been assessed in respect of their recognition as Heritage Assets.

A thorough review of all assets will be undertaken during 2011/12 to ascertain whether any other assets held by the Authority should also be re-classified or recognised as Heritage Assets.

5. Other Operating expenditure

2009/10		2010/11
£		£
1,000	(Gains)/ losses on the disposal of non-current assets	(6,648)
1,000	**Total**	**(6,648)**

6. Financing and Investment income and expenditure

2009/10		2010/11
£		£
260,000	Pension interest cost and expected return on pensions assets	120,000
(6,596)	Interest receivable and similar income	(29,060)
253,404	**Total**	**90,940**

7. Non Specific Grant incomes

2009/10		2010/11
£		£
(3,182,081)	National Park Grant *	(3,111,334)
(200,000)	Capital Grants and contributions	(3,569)
(3,382,081)	**Total**	**(3,114,903)**

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

8. Cost of Services income

2009/10		2010/11
£		£
(1,672,454)	External grants	(790,473)
(263,540)	Sales, fees and charges	(271,145)
(1,935,994)	**Total**	**(1,061,618)**

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

9. 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 Best Value Accounting Code of Practice. This is the same basis used to make decisions about resource allocation, which are taken by the Full Authority. However these reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure whereas the Comprehensive Income and Expenditure Statement is charged with depreciation and revaluation and impairment losses in excess of the balance on the Revaluation Reserve;
- Actual capital expenditure and income is reported to the Authority but is not included in the Comprehensive Income and Expenditure Statement, which shows revenue amounts only

9. Segment Analysis (continued)

- 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 BVACOP 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:

2010/11	Employee Expenses £	Service Expenses £	**Total Expenditure £**	Sales, Fees and Charges £	Grants £	**Total Income £**	**Net Expenditure £**
Conservation of the Natural Environment	430,310	72,569	**502,879**	(16,187)	(152,562)	**(168,749)**	**334,130**
Conservation of the Cultural Heritage	358,872	56,963	**415,835**	(4,859)	(160,086)	**(164,945)**	**250,890**
Recreation Management and Transport	122,948	123,149	**246,097**	(160,301)	(36,785)	**(197,086)**	**49,011**
Promoting Understanding	399,705	186,525	**586,230**	(72,678)	(2,000)	**(74,678)**	**511,552**
Rangers, Estates and Volunteers	452,424	37,634	**490,058**	(25)	0	**(25)**	**490,033**
Development Control	78,585	22,939	**101,524**	(15,530)	0	**(15,530)**	**85,994**
Forward Planning and Communities	175,062	376,754	**551,816**	0	(425,927)	**(425,927)**	**125,889**
Management and Administration	1,110,022	510,864	**1,620,886**	(30,625)	(16,682)	**(47,307)**	**1,573,579**
Total	**3,127,928**	**1,387,397**	**4,515,325**	**(300,205)**	**(794,042)**	**(1,094,247)**	**3,421,078**

2009/10 Comparatives	Employee Expenses £	Service Expenses £	**Total Expenditure £**	Sales, Fees and Charges £	Grants £	**Total Income £**	**Net Expenditure £**
Conservation of the Natural Environment	271,212	39,402	**310,614**	(28,020)	(51,220)	**(79,240)**	**231,374**
Conservation of the Cultural Heritage	385,851	80,497	**466,348**	(8,155)	(302,502)	**(310,657)**	**155,691**
Recreation Management and Transport	106,315	186,600	**292,915**	(144,315)	(60,087)	**(204,402)**	**88,513**
Promoting Understanding	375,671	192,260	**567,931**	(76,553)	(12,800)	**(89,353)**	**478,578**
Rangers, Estates and Volunteers	396,904	39,903	**436,807**	(996)	0	**(996)**	**435,811**
Development Control	82,719	41,252	**123,971**	(9,190)	0	**(9,190)**	**114,781**
Forward Planning and Communities	141,711	319,151	**460,862**	3,900	(1,240,846)	**(1,236,946)**	**(776,084)**
Management and Administration	916,192	479,182	**1,395,374**	(6,806)	(5,000)	**(11,806)**	**1,383,568**
Total	**2,676,575**	**1,378,247**	**4,054,822**	**(270,135)**	**(1,672,455)**	**(1,942,590)**	**2,112,232**

9. Segment Analysis (continued)

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

2009/10 £		2010/11 £
2,112,232	**Net Expenditure in the breakdown of the Outturn Budget Report Analysis**	**3,421,078**
(8,918)	Remove capital expenditure capitalised in the financial statements but included in the outturn budget reporting	(87,690)
(370,000)	Remove employers' cash pension contributions included in outturn budget reporting but removed from the financial statements	(370,000)
0	Remove capital income included in the outturn budget reporting but capitalised in the financial statements	3,569
6,596	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)	29,060
250,000	Include employers' cash pension contributions included as an accrual in the financial statements but excluded from the outturn budget reporting	(1,010,000)
7,300	Include impact of employee accrual for leave	(1,800)
175,800	Include depreciation charges included in the financial statements but excluded from the outturn budget reporting	108,925
0	Include impairment charges included in the financial statements but excluded from the outturn budget reporting	79,907
2,173,010	**Cost of Services in the Comprehensive Income and Expenditure Statement**	**2,173,049**

9. Segment Analysis (continued)

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.

2010/11	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	(271,145)	-	-	-	-	**(271,145)**
Interest and Investment Income	(29,060)	29,060	-	-	(29,060)	**(29,060)**
National Park Grant	-	-	-	-	(3111,334)	**(3,111,334)**
External grants and contributions	(790,473)	-	-	-	-	**(790,473)**
Capital Grants	(3,569)	3,569	-	-	(3,569)	**(3,569)**
Income from disposal of non current asset	-	-	-	-	(20,000)	**(20,000)**
Total Income	**(1,094,247)**	**32,629**	**-**	**-**	**(3,163,963)**	**(4,225,581)**
Employee Expenses	3,127,928	(370,000)	(1,011,800)	(898,814)	120,000	**967,314**
Other Service Expenses	1,387,397	(87,690)	-	(369,600)	-	**930,107**
Reapportion management & admin costs	-	-	-	1,268,414	-	**1,268,414**
Depreciation and impairment	-	-	188,832	-	-	**188,832**
Non current asset written off on disposal	-	-	-	-	13,352	**13,352**
Total Expenditure	**4,515,325**	**(457,690)**	**(822,968)**	**-**	**133,352**	**3,368,019**
(Surplus)/Deficit on the Provision of Services	**3,421,078**	**(425,061)**	**(822,968)**	**-**	**(3,030,611)**	**(857,562)**

9. Segment Analysis (continued)

2009/10 Comparatives	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	(263,539)	-	-	-	-	**(263,539)**
Interest and Investment Income	(6,596)	6,596	-	-	(6,596)	**(6,596)**
National Park Grant	-	-	-	-	(3182,081)	**(3182,081)**
External grants and contributions	(1,672,455)	-	-	-	-	**(1,672,455)**
Capital Grants	-	-	-	-	(200,000)	**(200,000)**
Total Income	**(1,942,590)**	**6,596**	**-**	**-**	**(3,388,677)**	**(5,324,671)**
Employee Expenses	2,676,575	(370,000)	257,300	(1,056,000)	260,000	**1,767,875**
Other Service Expenses	1,378,247	(8,918)	-	(48,000)	-	**1,321,329**
Reapportion management & admin costs	-	-	-	1,104,000	-	**1,104,000**
Depreciation and impairment	-	-	175,800	-	-	**175,800**
Non current asset written off on disposal	-	-	-	-	1,000	**1,000**
Total Expenditure	**4,054,822**	**(378,918)**	**433,100**	**-**	**261,000**	**4,370,004**
(Surplus)/Deficit on the Provision of Services	**2,112,232**	**(372,322)**	**433,100**	**-**	**(3,127,677)**	**(954,667)**

10. 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.

2009/10	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	175,800		(175,800)
Capital grants and contributions applied	(200,000)		200,000
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	1,000		(1,000)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital Expenditure charged against the General Fund Balance	(8,918)		8,918
Adjustment primarily involving the Capital Receipts Reserve:			
Use of Capital Receipts Reserve to finance new capital expenditure		(2,666)	2,666
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	(370,000)		370,000
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	7,300		(7,300)
Total Adjustments	115,182	(2,666)	(112,516)

10. Adjustments between accounting basis and funding basis under regulations (continued)

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

11. Usable Reserves

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

12. Unusable Reserves

2009/10		2010/11
£		£
326,763	Revaluation Reserve	306,332
2,007,349	Capital Adjustment Account	1,913,286
(4,930,000)	Pensions Reserve	(2,910,000)
(46,300)	Accumulated Absences Account	(44,500)
(2,642,188)	**Total Unusable Reserves**	**(734,882)**

Revaluation Reserve

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

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

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

2009/10		2010/11
£		£
346,275	**Balance at 1 April**	326,763
(19,512)	Difference between fair value depreciation and historical cost depreciation	(9,429)
0	Accumulated gains on assets sold or scrapped	(11,002)
326,763	**Balance at 31 March**	**306,332**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains gains recognised on donated assets that have yet to be consumed by the Authority.

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

Note 10 provides the sources of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

12. Unusable Reserves (continued)

2009/10			2010/11
£			£
1,953,053	**Balance at 1 April**		**2,007,349**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(175,800)	• Charges for depreciation and impairment of non-current assets	(188,832)	
8,918	• Revenue expenditure funded by capital under statute	84,121	
(1,000)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,512)	
(167,882)			(118,223)
19,512	Adjusting amounts written out of the Revaluation Reserve		20,431
(148,370)	Net written out amount of the cost of non-current assets consumed in the year		(97,792)
	Capital financing applied in the year:		
2,666	• Use of Capital Receipts Reserve to finance new capital expenditure	0	
200,000	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,569	
202,666			3,569
2,007,349	**Balance at 31 March**		**1,913,126**

Pensions Reserve

The Pensions Reserve absorbs the timing difference arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits comes to be paid.

12. Unusable Reserves (continued)

2009/10		2010/11
£		£
(3,660,000)	**Balance at 1 April**	(4,930,000)
(1,130,000)	Actuarial gains or losses on pensions assets and liabilities	760,000
(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	890,000
370,000	Employer's pensions contributions and direct payments to pensioners payable in the year	370,000
(4,930,000)	**Balance at 31 March**	**(2,910,000)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg 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.

2009/10			2010/11
£			£
(39,000)	**Balance at 1 April**		(46,300)
39,000	Cancellation of accrual made at the end of the preceding year	46,300	
(46,300)	Amounts accrued at the end of the current year	(44,500)	
(7,300)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,800
(46,300)	**Balance at 31 March**		**(44,500)**

13. Cash Flow Statement – Non Cash Movements

2009/10		2010/11
£		£
(175,800)	Depreciation/impairment	(188,832)
(140,000)	Actuarial charges for Retirement Benefits	1,260,000
(1,000)	Carrying amount of non-current asset sold	(13,352)
	Items on an accruals basis:	
(4,349)	• Decrease in stock	(1,844)
29,177	• Increase / (Decrease) in Debtors	(116,193)
0	• Increase in Capital Debtors	3,569
37,154	• Decrease in Creditors	30,632
200,000	• Decrease in capital creditors	0
0	• Increase in Provisions	(389,262)
(54,818)	**Total Non Cash Movements**	**584,718**

14. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items

2009/10		2010/11
£		£
2,440,254	Cash paid to and on behalf of employees	2,519,284
1,677,624	Operating cash payments	1,501,142
(3,182,081)	National Park Grant	(3,111,334)
(1,662,238)	Other external revenue grants (Note 16)	(851,771)
(276,448)	Other operating cash receipts	(294,365)
(6,596)	Bank interest received	(15,800)
(1,009,485)	**Total cash flow from Operating Activities**	**(252,844)**

15. Cash Flow Statement – Investing Activities

2009/10		2010/11
£		£
211,584	Purchase of property, plant and equipment	84,121
0	Capital receipt – sale of Greenlee barn	(20,000)
0	Investment of surplus funds into one year fixed term bond	750,000
211,584	**Total cash flow from Investing Activities**	**814,121**

16. Cash Inflow – Other External Grants (Revenue)

2009/10 £		2010/11 £
217,500	Sustainable Development Fund (DEFRA)	200,000
13,056	Natural England	52,689
199,541	Lottery	210,775
109,921	European funding	126,158
966,381	Planning Delivery/New Burdens Grants (DCLG)	39,335
5,000	Local authorities	5,000
65,000	Environment Agency	40,000
0	Private sector funding	13,180
45,000	Charities	13,500
40,839	Other grants	151,134
1,662,238		851,771

17. Employee Remuneration

The number of employees whose remuneration, excluding pension contributions, fell in each £10,000 band over £50,000 was:

2009/10			2010/11
-	£50,000 - £54,999		-
-	£55,000 - £59,999		-
-	£60,000 - £64,999		-
-	£65,000 - £69,999		-
-	£70,000 - £74,999		-
1	£75,000 - £79,999	Chief Executive (National Park Officer)	1

18. Audit Costs

In 2010/11 Northumberland National Park Authority incurred the following fees relating to external audit:

2009/10 £		2010/11 £
21,000	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor	21,068
-	Fees payable to Deloitte LLP for the certification of grant claims	-
21,000		21,068

19. Pensions

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

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

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligation has reduced. We consider this policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22 June 2010.

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

The Balance Sheet includes a Pensions Reserve liability of £2.91m as at 31st March 2011. This liability represents the fair value of future pension liabilities that have been incurred less the assets that have been set aside to fund them.

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

In accordance with IAS19 – Employee Benefits disclosure of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

The latest actuarial valuation of Northumberland National Park Authority’s liabilities took place as at 31st March 2010. 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 valuations of the Fund for IAS19 purposes were:

	31st March 2011 % p.a.	31st March 2010 % p.a.	31st March 2009 % p.a.
Rate of general increase in salaries	5.2	5.4	5.1
Rate of increase to pensions in payment	2.8	3.9	3.6
Rate of increase to deferred pensions	2.8	3.9	3.6
Discount rate	5.4	5.5	6.5
RPI Inflation	3.7	3.9	3.6
CPI Inflation	2.8	N/A	N/A

19. Pensions (continued)

Post retirement mortality	31st March 2011	31st March 2010
Males		
Future lifetime from age 65 (aged 65 at accounting date)	22.2	22.0
Future lifetime from age 65 (aged 45 at accounting date)	24.1	24.2
Females		
Future lifetime from age 65 (aged 65 at accounting date)	24.4	24.0
Future lifetime from age 65 (aged 45 at accounting date)	26.4	26.1

We have been informed that the market value of the assets of the Northumberland County Council Pension Fund as at 31st March 2011 that were allocated to Northumberland National Park Authority was £7.04million (2009/10 £6.24million).

	Long term rate of return expected at 31st March 2011	Value at 31st March 2011	Long term rate of return expected at 31st March 2010	Value at 31st March 2010
	% p.a	£m	% p.a	£m
Equities	8.4	4.81	8.0	4.39
Property	7.9	0.37	8.5	0.33
Government bonds	4.4	1.30	4.5	0.94
Corporate bonds	5.1	0.50	5.5	0.48
Cash	1.5	0.06	0.7	0.10
Total	7.3	7.04	7.2	6.24

Northumberland National Park Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2011

Reconciliation of funded status to Balance Sheet

	31st March 2011	31st March 2010	31st March 2009
	£m	£m	£m
Share of assets	7.04	6.24	4.14
Estimated funded liabilities	(9.84)	(11.05)	(7.69)
Estimated unfunded liabilities	(0.11)	(0.12)	(0.11)
Pension liability recognised on the Balance Sheet	(2.91)	(4.93)	(3.66)

19. Pensions (continued)

Charges to the Surplus or Deficit on the Provision of Services

	For the year ended 31st March 2011 £m	For the year ended 31st March 2010 £m
Current service cost	0.33	0.25
Past service cost (funded pension scheme)	(1.33)	0
Past service cost (unfunded pension scheme)	(0.01)	0
Interest cost on funded pension scheme liabilities	0.56	0.51
Interest cost on unfunded pension scheme liabilities	0.01	0.01
Expected return on assets	(0.45)	(0.26)
Expense recognised	(0.89)	0.51

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

	For the year ended 31st March 2011 £m	For the year ended 31st March 2010 £m
Opening present value of liabilities	11.05	7.69
Current service cost	0.33	0.25
Interest cost	0.56	0.51
Contributions by participants	0.11	0.11
Actuarial losses on liabilities	(0.77)	2.58
Net benefits paid out	(0.11)	(0.09)
Past service cost	(1.33)	0.00
Closing present value of liabilities	9.84	11.05

Changes to the fair value of assets during the accounting period

	For the year ended 31st March 2011 £m	For the year ended 31st March 2010 £m
Opening fair value of assets	6.24	4.14
Expected return on assets	0.45	0.26
Actuarial gains / (losses) on assets	(0.01)	1.46
Contributions by the employer	0.36	0.36
Contributions by the participants	0.11	0.11
Net benefits paid out	(0.11)	(0.09)
Closing fair value of assets	7.04	6.24

19. Pensions (continued)

Actual return on assets

	For the year ended 31st March 2011 £m	For the year ended 31st March 2010 £m
Expected return on assets	0.45	0.26
Actuarial gain/ (loss) on assets	(0.01)	1.46
Actual return on assets	0.44	1.72

Analysis of amounts recognised in Other Comprehensive Income and Expenditure

	For the year ended 31st March 2011 £m	For the year ended 31st March 2010 £m
Total Actuarial gains/ (losses) (funded pension scheme)	0.76	(1.12)
Total Actuarial gains/ (losses) (unfunded pension scheme)	0.00	(0.01)
Total gains / losses	0.76	(1.13)

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

	IFRS For the year ended 31st March 2011 £m	UKGAAP For the year ended 31st March 2010 £m	UKGAAP For the year ended 31st March 2009 £m	UKGAAP For the year ended 31st March 2008 £m	UKGAAP For the year ended 31st March 2007 £m
Fair value of assets	7.04	6.24	4.14	5.04	4.82
Present value of defined benefit obligation (funded pension scheme)	(9.84)	(11.05)	(7.69)	(6.49)	(6.62)
Present value of defined benefit obligation (unfunded pension scheme)	(0.11)	(0.12)	(0.11)	(0.10)	(0.11)
Surplus / (deficit)	(2.91)	(4.93)	(3.66)	(1.55)	(1.91)

19. Pensions (continued)

History of experience gains and losses

	IFRS For the year ended 31st March 2011 £m	UKGAAP For the year ended 31st March 2010 £m	UKGAAP For the year ended 31st March 2009 £m	UKGAAP For the year ended 31st March 2008 £m	UKGAAP For the year ended 31st March 2007 £m
Experience gains / (losses) on assets	(0.01)	1.46	(1.63)	(0.40)	0.05
Percentage of assets	-0.1%	23.4%	-39.4%	-8.1%	1%
Experience gains / (losses) on liabilities	0.59	0.05	(0.02)	(0.39)	0
Percentage of the present value of liabilities	6.0%	0.5%	-0.27%	-5.9%	0%

The Authority's contributions to the fund for the accounting period 31 March 2011 are estimated to be £0.34m. In addition unfunded benefits paid by the Authority directly to beneficiaries was £10,000 in 2010/11 and is expected to be £10,000 for the accounting period 31 March 2012.

20. Members Allowances

The total of Members allowances paid in the year was £52,645 (2009/10 £56,912).

21. Financial commitments

Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2010/11 was £38,567 (2009/10 £56,934).

As at the balance sheet date, 31st March 2011, the National Park Authority had a commitment of £67,480 (31st March 2010 £98,193):

	31st March 2011		31st March 2010		31st March 2009	
	Land and Buildings	Vehicles	Land and Buildings	Vehicles	Land and Buildings	Vehicles
Operating leases which expire:	£	£	£	£	£	£
within one year	-	10,454	-	7,438	-	5,341
In the second to fifth years	-	57,026	-	90,755	-	35,586
	-	67,480	-	98,193		40,927

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

Transactions with parties related to the Authority during 2010/11 and 2009/10 were as follows:

Payments to related parties	**Nature of relationship**	**Payments to related party 2010/11** £	**Due to related party at 31.3.11** £	**Payments to related party 2009/10** £	**Due to related party at 31.3.10** £
Northumberland County Council	a.	95,365	9,438	69,261	17,500
Bellingham Community Trust	b.	9,902	-	14,006	-
M.P. Adams	c.	640	-	1,110	-

Receipts from related parties	**Nature of relationship**	**Receipts from related party 2010/11** £	**Due from related party at 31.3.11** £	**Receipts from related party 2009/10** £	**Due from related party at 31.3.10** £
Northumberland County Council	a.	18,949	6,713	38,826	2,207

Nature of relationship:
a. council with member representation on National Park Authority
b. Authority member or linked to an Authority member
c. former employee (within last 2 years)

Central Government has effective control over the general operation of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of its transactions with other parties. The cash inflow of Grants received from Government departments is set out in Note 16 to the accounts and the National Park Grant value is disclosed in Note 7 to the accounts

All transactions are at arms length.

23. Property, Plant and Equipment

Movements in Property, Plant and Equipment during 2009/10 were as follows:

	Land and Buildings	Plant, Furniture and Equipment	Assets Under Construction	Total
	£	£		£
Cost / valuation as at 1st April 2009	2,379,419	585,432	-	2,964,851
Acquisitions	211,584	-	-	211,584
Disposals	(1,000)	-	-	(1,000)
Cost / valuation as at 31st March 2010	2,590,003	585,432	-	3,175,435
Accumulated Depreciation as at 1st April 2009	150,792	514,730	-	665,522
Provision for the Year	109,496	66,304	-	175,800
Accumulated Depreciation as at 31st March 2010	260,288	581,034	-	841,322
Net Book Value as at 31st March 2010	2,329,715	4,398	-	2,334,113
Net Book Value as at 31st March 2009	2,228,627	70,702	-	2,299,329

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

	Land and Buildings	Plant, Furniture and Equipment	Assets Under Construction	Total
	£	£		£
Cost / valuation as at 1st April 2010	2,590,003	585,432	-	3,175,435
Acquisitions	-	74,315	27,125	101,440
Disposals	(15,000)	-	-	(15,000)
Impairment	(157,537)	-	-	(157,537)
Cost / valuation as at 31st March 2010	2,417,466	659,747	27,125	3,104,338
Accumulated Depreciation as at 1st April 2010	260,288	581,034	-	841,322
Provision for the Year	97,848	11,077	-	108,925
Disposal	(1,648)	-	-	(1,648)
Impairment	(77,630)	-	-	(77,630)
Accumulated depreciation as at 31 March 2011	278,858	592,111	-	870,969
Net Book Value as at 31st March 2011	2,138,608	67,636	27,125	2,233,369
Net Book Value as at 31st March 2010	2,329,715	4,398	0	2,334,113

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

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

The Authority is not aware of any material change in the value of Property, Plant and Equipment as at 31 March 2011.

23. Property, Plant and Equipment (continued)

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

	2010/11	2009/10
Administrative offices	1	1
Visitor centres / tea rooms	4	4
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	5	5
Car parks / toilets	6	6

A barn situated on farm land owned by the Authority was disposed of during 2010/11. The farm land is still owned by National Park.

Impairments

The impairment adjustments relate to the Coquetdale Centre at Rothbury, and to historic building sites.

The Coquetdale Centre was purchased in 2009/10 and the purchase price was capitalised. When reviewing the Land and Buildings for depreciation in the current year it became apparent the value of capital building works capitalised in 2004/05 had not been taken into account when capitalising the purchase of the centre. To correct the overall value of the site the property works element has been written off by means of an impairment adjustment (£77,241 being cost less accumulated depreciation) at the end of 2010/11 to recognise the correct net book value for the site.

Professional fees to assess the condition of two historic buildings were capitalised in 2009/10 with the expectation actual capital work would follow. This has not been the case, therefore the amounts capitalised have not added value to the site and are therefore written off by means of an impairment adjustment. The total value of this being £2,666.

Electric Vehicle charging points and the use of the Donated Assets Account.

11 Electric Vehicle charging points were purchased in February 2011 at a cost to the Authority of £13,750. The value of the points which has been capitalised is £27,500 with One North East paying the remaining 50% direct to the supplier. The £13,750 ‘off book’ contribution has been shown in the balance sheet under donated assets as there are conditions outstanding as part of the funding agreement . The costs associated with installing the posts have also been capitalised with costs of £20,905. The value in the balance sheet for this project stands at £34,655.

IT Equipment

£66,785 of IT equipment has been purchased and capitalised in relation to the IT virtualisation project undertaken in year.

24. Inventories

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

01.04.09	31.03.10		31.03.11
£	£		£
231	417	Confectionery	249
4,091	2,406	Books	1,739
4,062	4,208	Maps	4,000
13,557	11,366	Souvenirs	10,811
5,025	4,220	Clothing	3,974
26,966	**22,617**	**Total Goods for Resale**	**20,773**

No obsolete stock was identified as at the year-end date (2009/10 £2,017).

25. Debtors

01.04.09	31.03.10		31.03.11
£	£		£
50,581	19,907	Trade debtors	13,577
164,134	198,525	Grant claims	98,671
9,939	21,326	Other taxation	19,137
43,868	57,941	Other debtors and accrued income	50,121
268,522	**297,699**		**181,506**

Further analysis of debtors total at year end by organisation type

01.04.09	31.03.10		31.03.11
£	£		£
74,274	21,326	Central government bodies	19,355
15,600	2,361	Other local authorities	6,173
178,648	274,012	Other entities and individuals	155,978
268,522	**297,699**		**181,506**

26. Cash and cash equivalents

01.04.09	31.03.10		31.03.11
£	£		£
750,000	1,786,160	Bank Deposits	998,447
215,954	(22,099)	Bank Accounts	204,326
161	-	Cash in transit	-
1,060	1,015	Petty cash	1,026
967,175	**1,765,076**		**1,203,799**

27. Creditors

01.04.09	31.03.10		31.03.11
£	£		£
43,203	45,202	Other tax and social security	41,955
159	-	Trade creditors	-
339,877	293,583	Accruals and deferred income	267,998
39,000	46,300	Provision for accumulated absences	44,500
422,239	**385,085**		**354,453**

Further analysis of creditors at year end by organisation type

01.04.09	31.03.10		31.03.11
£	£		£
43,203	62,702	Central government bodies	41,955
22,527	36,605	Other local authorities	27,301
356,509	285,778	Other entities and individuals	285,197
422,239	**385,085**		**354,453**

28. Provisions

01.04.09	31.03.10		31.03.11
£	£		£
0	0	Provision for restructuring costs	389,262
0	**0**		**389,262**

The government funding cuts created the need to restructure and downsize the Authority to make significant savings. Consultation on the change management process began in January 2011 and the main proposals were subsequently confirmed by the Authority in February.

28. Provisions (continued)

The provision was created to reflect the best estimate costs as known at June 2011. The costs provided for are the redundancy cost and strain on the pension funds payments. The timing of the payments will differ but are expected to be incurred throughout 2011/12.

29. Financial Instruments

29.1 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 Trade Receivables and a 1 year fixed term bond of £750,000. Financial assets represented by the fixed term bond are carried in the balance sheet at amortised cost. Financial assets represented by Trade 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.

29.2 Financial Liabilities
Financial liabilities are shown within the balance sheet as other liabilities and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate of investment for the instrument. The Authority did not hold any financial liabilities at the year end.

29.3 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.

29.4 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.

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

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

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

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

In relation to trade debtors at 31st March past due but not impaired, a total of £3,600 was outstanding between 30 and 60 days, £82 was outstanding between 60 and 90 days and £1,485 had been outstanding for longer than 90 days. All significant balances past due but not impaired had been collected prior to the accounts being approved for audit on the 22nd June 2011.

30. Events after the Balance Sheet Date

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

The Statement of Accounts 2010/11 were formally reported to members of the Authority for approval on 22nd June 2011, the statements being subject to the external audit process.

The decision to uprate public services pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. The decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.