



Northumberland National Park Authority

# Draft Statement of Accounts

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**For the year ended  
31<sup>st</sup> March 2019**

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## **Summary of the 2018/19 Financial Year**

### **Overview**

2018/19 has followed several years of significant capital expenditure with the construction of The Sill: National Landscape Discovery Centre. 2018/19 was the first full financial year of operating The Sill, with continued capital investment albeit much reduced as we made improvements to the external grounds and on site interpretation. The focus moved from delivering a significant capital project on budget and on time, to delivering exceptional experiences to the 146,000 visitors to The Sill whilst minimising the net operational expenditure impact on the Authority's finances.

Elsewhere within the Authority we have continued to deliver on our wide and varied work programme with new initiatives for the natural and historic environment. Our work at a local and national level is helping position the national park to be best placed to benefit from the changes planned for farming and land management support. We are involved in national tests and pilots for both land management and for the historic environment.

The Authority has delivered another significant and balanced work programme against our Business Plan with 95% of the actions set out in our 2018/19 work programme complete or substantially completed by the year end. Overall this performance continues to deliver a positive impact for the National Park, its communities and businesses and all this has been achieved within an agreed balanced budget, a budget that makes positive use of self-generated income and external non government fundraising as we strive to achieve our wide and varied programme of work.

### **Key Achievements, Investments and Income**

The highlight of the year was the official opening of The Sill: National Landscape Discovery Centre by HRH the Prince of Wales in September 2019. The impressive number of awards received by the Sill both before and now since its opening, including the prestigious Selwyn Goldsmith Award for Universal Design and RIBA North East Award for architectural excellence have recognised the importance and quality of the building and this has helped maintain a high profile for The Sill, resulting in maintaining visitor numbers well in excess of target and a growth in our education and public engagement programmes. 146,000 visitors were welcomed during the year, 46% higher than the original target of 100,000 visitors per annum. It was also pleasing that Northumberland won 'National Park of the Year' for the second time and 'Best UK Holiday Destination' in 2018.

The Sill has represented the single biggest investment in this Authority's history and benefitted from a 5 year capital and revenue grant from the National Lottery Heritage Fund beginning in 2015/16. This year ended was the 4th year of NLHF funding. Due to the timing of sources of grant income over the 5 year project, 2017/18 saw a temporarily high cost to the Authority which has been reduced during 2018/19 with a surplus of £260,000 of income over expenditure. As at the end of the financial year a match funding requirement of £252,100 remains both for the capital build and the activity programme and a fundraising programme continues.

This year saw the first full delivery year of Revitalising Redesdale, a £2.8m, National Lottery Heritage-funded Landscape Partnership Scheme, which aims to celebrate, conserve and enhance Redesdale's rich cultural heritage, landscape and wildlife. The Authority is one of three lead partners with Natural England acting as the accountable body for the programme. The Authority provides match funding and in-kind support and leads a number of key projects within Revitalising Redesdale and some highlights of the achievements over the past year include:

- the restoration of the 19th century ironworks at Ridsdale
- the restoration of the Roman Fort at High Rochester
- and 2,680 metres of footpath improvements to the Pennine Way National Trail at Byrness using a soil reversal technique

On these specific elements expenditure of £100,200 was incurred with a net cost to the Authority of £24,600 after external funding is recognised.

Good progress was made with the review of the Local Plan during the year. The new Local Plan will contain planning policies guiding future development and the determination of planning applications for a twenty year period. In May 2019 the Authority approved the publication of the draft Local Plan for consultation with the aim of adopting a new Local Plan by December 2019.

Funds from the Rural Development Programme for England were secured for capital improvement works at Walltown to improve the existing building for visitors to the site as part of our wider 'West on the Wall' initiative. Work will begin on-site in May 2019 and we aim to open to the public in August 2019.

Good progress was made with the 3 year Cheviot Peat Restoration project funded by Defra via the Yorkshire Peat Partnership. Contracts were let which will enable the improvement of 28,500 metres of peat on the Cheviot Summit over the next two years and scoping of projects along the Breamish Valley and the Cheviot Hills continued during the year with improvements to the visitor welcome and their understanding central to these projects.

The Authority continues to focus on improving commercial income generation and fundraising. Philanthropic fundraising is carried out both directly by the Authority and with support from the Northumberland National Park Foundation, a charitable Company, which during the year has raised funds for both The Sill and to increase visitor awareness across the National Park by improving signage.

The Authority completed the current Organisational Development Plan during the year and is in the process of developing an updated plan to take the organisation forward. It is pleasing to report that in June our Health at Work programme was recognised by the Chartered Institute for Personnel and Development and the Authority has received the top prize for 'Excellence in Health and Wellness'.

A review of the Management structure was fully implemented during the year and the full complement of the new team was in place in full from December 2018. The revised structure helps support the Authority's 5 year Business Plan, including its priorities of The Sill, land management and income generation aspirations.

## Financial Performance

The financial performance in 2018/19 delivered a surplus outturn of £318,900. The National Park Grant received in the year was £2,627,700. Net operating expenditure of £2,553,700 resulted in an operating surplus of £74,000. This surplus, together with net project income of £258,300 and net expenditure of £13,400 on The Sill Business Plan increases the General Fund Balance by £318,900.

The Authority's long term pension liability decreased by £260,000 to £3,900,000 following the Scheme's actuary's latest review. This is a long term funding liability and the Authority is continuing to reduce its historical liability with fixed annual payments of £58,500 per annum.

The financial year results in the overall Useable Reserves increase by £323,400 to £999,700. After net transfers to the Earmarked Reserves of £419,600 and £4,500 to the Capital Receipts Reserve, the General Fund has a balance of £359,700, the Capital Receipts Reserve has a balance of £4,500 and the Earmarked General Reserve a balance of £635,500 at the year end.

The balance of £359,700 on the General Fund ensures there are sufficient (but not excessive) funds remaining to meet any exceptional cost pressures, to mitigate financial risks and to provide, where possible, future investment funding.

## Summary

2018/19 has been the first full year of operating The Sill, a project which has represented a significant financial task for the Authority, from securing the funds to completing the construction and fit-out. Visitor numbers to the centre are exceeding targets and important knowledge is being captured and used to plan and improve our operation and impact for the future. It is rewarding to see how this project has been soundly managed from a financial, quality and operational perspective and to see the recognition the project has achieved.

Alongside this transformational initiative, the Authority has also been able to achieve its broader work programme and to react positively to opportunities which have presented themselves over the past 12 months, in helping shape policy and programme development at a local, regional and national level, and in so doing position the National Park and National Park Authority for a positive future.

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

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

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

## **Explanatory Foreword**

### **INFORMATION AND FINANCIAL STATEMENTS**

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

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

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

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

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

#### **Balance Sheet**

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

#### **Cash Flow Statement**

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

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

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

#### **Expenditure and Funding Analysis**

This statement demonstrates how the funding available to the Authority for the year has been used in providing services in comparison with those resources consumed in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated between the Authority's service headings.

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

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

## FINANCIAL POSITION

### 2018/19 Financial Results

#### Income in the Comprehensive Income & Expenditure Statement

The Authority's main source of income is National Park Grant from the Department for the Environment, Farming and Rural Affairs (Defra) which, at £2,627,730, amounted to 59% of its total income in 2018/19.

Income for many new projects and services continues to be dependent on gaining external grant aid and other sources of income. Greater management focus continues on improving commercial income generation and philanthropic fund raising as a way of offsetting the impact of cuts in National Park Grant and allowing the Authority to continue to deliver its ambitions. The Authority continues to support the Northumberland National Park Charitable Foundation, a charitable company limited by guarantee, which raises charitable funds to support projects which help to achieve objectives for the National Park. The Authority has provided support to set up the Charitable Foundation however its Trustees and governance are fully independent of the Northumberland National Park Authority. The Foundation is fully approved by the Charity Commission, registration number 1161156. £117,288 of funds raised by the Foundation in 2018/19 were paid to the Authority in the Financial Year to support The Sill project and £25,000 was paid to increase visitor awareness across the National Park by improving signage.

Gross income to support the net Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £1,782,976. This was £274,347 higher than the previous year due to a £203,955 increase in External Grants and a £70,392 increase in Sales, fees and charges. An explanation is given below.

#### External Grant Income

The increase in grant income was made up of a number of year on year movements. The most significant movements are highlighted below.

- An increase of £323,963 in The Sill funding allocated to revenue. This is due to an increase in the revenue element of the NLHF Grant awarded and funds raised from the Northumberland National Park Foundation as the capital works are largely complete and The Sill has become operational.
- A decrease of £248,151 in funding for the Hadrian's Cavalry project as the project was completed at the beginning of the year.
- In both Financial years, funds were received from the Northumberland National Park Foundation for revenue projects with £42,015 received in 2017/18 and £25,000 received in 2018/19.
- £90,389 has been received in the year from Natural England in relation to the Revitalising Redesdale Project. The Authority is a core partner in this NLHF funded project which commenced at the end of the last Financial Year. In 2017/18, £2,872 was received in relation to this project.
- £41,500 has been received in the year from Yorkshire Dales National Park. Of this, £31,500 is to fund works carried out on the Pennine Way and £10,000 relates to a Hill Farmers Training scheme.

## Other income

The increase in Sales, fees and charges income is largely as a result of increases in new income sources created as a result of The Sill being operational for the full year and the timing of other projects. The most significant movements are as follows:

- Income from the retail operation at The Sill increased by £62,343. The cessation of trading at Walltown in October 2017 has resulted in a year on year fall in other retail sales of £37,555.
- Income received from the sale of redundant equipment decreased from £13,177 in 2017/18 to £25 in 2018/19. The 2017/18 figure includes £11,000 in respect of the sale of equipment used in the Turma re-enactment event under the Hadrian's Cavalry project.
- Income from rents receivable and room hire at The Sill increased by £9,775. This was made up of an increase of rental income at The Sill from the YHA of £12,855 resulting from a full year of occupancy in 2018/19, offset by a decrease in income from desk and office hire of £3,080.
- Rental income and room hire on our other properties has decreased by £8,449 in 2018/19. The decrease is mainly due to not having 100% occupancy for the Coquetdale building in Rothbury and two of our Eastburn office pods and one office being vacant for the majority of the financial year.
- Income from shared building costs has increased by £29,096. This increase is due to the recharge of utilities and servicing costs to the YHA and the catering franchisee in respect of The Sill building being for a full year, compared to 8 months in the previous Financial Year.
- A decrease in income from guided walks and events of £23,392 arises as this amount was raised during the previous year from sales at the Hadrian's Cavalry events and no such events were held in this Financial Year.
- Car parking income has increased by £21,197. £10,898 of this relates to parking income from The Sill which has benefitted from both a change to the parking tariff and a full year of trading.
- Income from staff services has increased by £16,661. £15,400 was raised in respect of the Historic Farms building project in the Financial Year.
- Income from The Sill activity programme increased by £7,414 as the programme gains momentum, in The Sill's second year.
- An increase of £17,803 in Development Management fees. £7,759 of this relates to a nationally agreed 20% increase in fees chargeable, allowable on the condition additional income raised is ring-fenced to enable improvements within the planning service. This has been transferred to a dedicated earmarked reserve for future allocation. The balance of the increase relates to a higher number of applications submitted, 30 extra to the prior year.

## Expenditure in the Comprehensive Income and Expenditure Statement

The gross Cost of Services in the Comprehensive Income and Expenditure Statement decreased by £2,170,736 to £4,062,614; this increase was after a positive year-on-year asset revaluation movement of £1,976,264 and an adverse year-on-year IAS19 pension cost movement of £20,000; excluding both of those adjustments the underlying gross Cost of Services decreased by £214,472.

The notable reasons for this decrease in expenditure are largely due to the timing and nature of projects undertaken and are shown as follows;

### Staff Costs

- Employee expenses have increased by £39,672 to £2,720,467. Of this increase, £20,000 relates to an IAS19 pension cost movement and £8,200 relates to a decrease in the accumulated absence accrual. If these movements are disregarded, the increase is £27,872. This increase is lower than allowed inflation and the lower than anticipated increase arises as a result of newly created Senior positions being vacant at the beginning of the year following a review of the Authority's Leadership structure.

### Other costs

Non staff costs have decreased year on year by £2,131,065. This is in the main due to the reversal of the impairment of The Sill building made following an updated valuation of the premises at 31 March 2019. This reversal, to a value of £783,108 compared to the previous years impairment of £1,136,216 gives a year on year decrease in costs of £1,919,324. When combined with revaluation movements in other properties, the overall decrease increases to £1,976,264. Other notable movements are as follows:

- An decrease of £90,127 of costs relating to The Sill which are capital in nature, but charged to revenue due to the cost falling below the Authority's de minimis limit.
- A decrease in revenue costs relating to the management of The Sill Project of £25,797 and an increase in costs relating to the Activity programme of £34,066.
- An increase in the costs of running The Sill which includes operational Costs of £19,748 and the costs of goods sold in the retail operation at The Sill of £28,693. The costs of goods sold at Walltown has decreased by £18,696 as the retail operation at this centre was not open during the current Financial Year.
- An increase of £20,318 in spend on the Local Plan Review in line with the planned scheduling of this work.
- A decrease in spend on the Hadrian's Wall Cavalry project of £298,495 as the project was completed at the beginning of the Financial Year.
- An increase in spend on the Revitalising Redesdale Project of £107,522 which commenced in March 2018 and spend of £36,474 on a Pennine Way maintenance project which commenced in this Financial year.
- A decrease in core repairs and maintenance costs of £18,932. The prior year spend included £17,512 relating to the supply of a new fire alarm system.
- An increase in rates of £38,950 resulting from a rates assessment on properties for which we had previously been granted an exemption. The charge in the current years accounts includes a backdated charge for the previous Financial Year.

Total net operating expenditure for the year was £2,279,638; this was a decrease of £2,445,083 on the previous year reflecting the reversal of the previous impairment of The Sill and the decrease in project costs.

Finance and investment net expenditure at £125,056, increased by £10,458. This was made up of a IAS19 pension cost movement of £20,000, offset by a decrease in the loan interest charge of £9,253. Interest received during the year remained at similar level to the previous year, with a modest increase of £289.

Non specific grant income at £2,683,959 was £1,308,516 lower than the previous year due to lower capital grants raised for The Sill project, offset by a modest inflationary increase (1.7%) in National Park Grant.

### **Capital Expenditure and Assets Revaluations**

During the year the Authority had capital expenditure of £56,229. Full details are provided in note 24 of the accounts (Property Plant and Equipment).

### **Pensions Reserve**

The deficit on the Authority's Pension Reserve was decreased by £260,000 to £3,900,000 reflecting the latest actuarial statement as detailed in note 12 (Unusable Reserves). The Pension Reserve is a non cash reserve which reflects a long term funding issue to be resolved by all Local Authorities.

### **Usable and Earmarked Reserves**

During the year the level of Usable Reserves increased by £323,370 to £999,674. Of the £323,370 increase in Usable Reserves £318,870 increases the General Fund as revenue budget surplus and £4,500 relates to the Capital Receipts Reserve which holds funds from the sale of assets. This increase is temporary with £323,900 of budget carry forwards proposed for agreement by the Authority in July 2019, the majority of which relates to multi-year projects.

The Useable reserves of £999,674 would reduce to £359,715 if all the Earmarked Reserves totalling £635,459 detailed in note 10 were utilised, and the £4,500 in the Capital Receipts reserve was applied.

## **Statement of Responsibilities for the Statement of Accounts**

### **Responsibilities of the National Park Authority**

The National Park Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At the Northumberland National Park Authority, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The Chief Financial Officer's Responsibilities**

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

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

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

The Chief Financial Officer has also:

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

### **Statement by the Chief Financial Officer**

I certify that this Statement of Accounts gives a true and fair view of the financial position of Northumberland National Park Authority at the reporting date and its expenditure and income for the year ended 31<sup>st</sup> March 2019.

..... Chief Financial Officer

..... Date

## Annual Governance Statement

### Introduction

Northumberland National Park Authority is required to undertake proper practices in relation to its accounts as defined by the Accounts and Audit (England) Regulations 2015. Thus an Annual Governance Statement is required for the year ending 31st March 2019. This needs to be produced alongside the Annual Accounts and be reviewed by the full Authority or a committee of the Authority. To assist this process the Authority's Finance and Audit Group (a working group and not a committee) review the Annual Governance Statement prior to consideration by the full Authority.

### Scope

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

### The Purpose of the Annual Governance Statement

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

The system of internal control has been in place for the year ended 31st March 2019 and up to the date of approval of the annual report and accounts and accords with proper practice.

### The Internal Control Environment

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

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

The Authority has a hierarchy of plans, headed by a statutory National Park Management Plan which sets a vision for the National Park for the next 20 years. This sets a framework for the Authority's work. The Management Plan was reviewed in 2015/16 and a new Plan was adopted by the Authority in March 2016 and published in June 2016. The Management Plan sets out a vision and strategic aims for the National Park which are cascaded into outcomes and objectives for a 5 year period for the National Park Authority and its partners.

Each year the **National Park Management Plan Partnership** (consisting of key public bodies and other stakeholders) agrees a **National Park Management Plan Annual Action Plan** which incorporates the work programmes of partners. In addition to guiding the actions of the Partnership, the Management Plan 2016-21 guides the corporate priorities of the Authority as set out in the **Business Plan** for the Authority (2017 to 2021).

### **2017-2021 Business Plan**

The **Business Plan** is used to provide a medium term framework for the National Park Authority's work programmes and to define the corporate priorities of the Authority. This represents the Authority's contribution to the delivery of the National Park Management Plan.

The Business Plan aligns with the Authority's Medium-Term Budget Plan which is set across three years and is agreed in March each year.

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

An **Operational Plan** is prepared annually alongside the annual budget plan. It sets out the detailed annual work programme of the Authority. This provides the detail for individual manager and staff work plans.

### ***Governance, Policy and decision making***

All internal policy is made by the Full Authority Board. Policy development is led within departments and this work is always sponsored by a Head of Department, Director or the Chief Executive. The development of policy is assisted by member policy conferences and is supported and informed by task and finish working groups of members, staff and partners. Policy conferences and task and finish groups report their findings and advice to the National Park Authority. All the members of the Authority are therefore able to take part in deciding policy. All key policy decisions are recorded in official and publicly available minutes.

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

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

The Sill National Landscape Discovery Centre, as a significant new area of work for the Authority, is supported by a dedicated staff team, who regularly report to the members via The Sill Advisory Board to provide strong and effective governance of this exceptional project.

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

The Authority manages risk through the **Strategic Risk Register**, which identifies areas of highest strategic risk over the period of the Business Plan. The Risk appetite is set by members of the Authority. The risk items are reviewed annually and actions are incorporated, via the Operational Plan, into work programmes including priority actions for senior managers. The management of the identified risks are reported to the Authority on a quarterly basis.

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

All new initiatives, which are outside of the annual Operational Plan, are discussed by the

Leadership Team before the project can be developed into a fully designed proposal. This control system allows new opportunities to be assessed against agreed priorities and targets and to assess their opportunity costs and benefits, as well as assessing their financial impact on the Authority.

In accordance with its statutory responsibilities, the Authority has in place a Health and Safety Policy, related procedures and has an annual Health and Safety Action Plan which is regularly reviewed by the Authority. The facilitation and enabling of effective health and safety is supported by an employee Health and Safety Working Group.

A Business Continuity Plan is in place to ensure that in the case of an emergency or incident that has the potential to disrupt the Authority's work or put at risk its staff, member's, volunteers, tenants or the public. Adequate measures are in place to enable the critical business of the Authority to continue whilst keeping everyone safe.

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

#### **Improvement Planning**

The Authority delivers continuing improvement through its Leadership Team, ongoing review of delivery and KPI's and through the work of its Review Panel. The Review Panel routinely uses independent members and expertise to bring fresh perspective on the delivery and improvement of the Authority's work. This process provides a high level of internal support and challenge as part of the Authority's overall assurance framework. This is aligned with the Strategic Risk Register, however, aims to deliver recommendations for continued improvement of the Authority's work, rather than simply managing risk.

Regular service reviews are undertaken by the Leadership Team, to ensure the efficient and effective use of resources and ensure we have the correct resources to meet the Business Plan objectives and changing priorities. During 2018/19 a service review was concluded for the structure of The Sill team and the restructuring of the Authority's Leadership Team was completed.

The Authority regularly benchmarks its performance against other National Park Authorities as a means of identifying possible areas for improvement.

#### **Efficiency**

The Authority regularly market-tests many of its procured services. 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

After a period of cuts to our government grant in aid, the Authority re-introduced efficiency saving targets in the Medium Term Budget Plan in 2018/19 for the first time in a number of years. This, coupled with our drive to add value to the core grant through our commercial income generation plan, fundraising and joint sponsorship work as a member of the National Parks Partnerships Ltd, aims to ensure we can deliver a wide and varied work programme.

Salary and associated employment direct costs for non-project staff are the most significant resource for the Authority accounting for 79% of National Park Grant. The Authority aims to continually develop its staff and regular surveys show enhanced levels of staff satisfaction with the Authority benchmarking in the top percentile for the areas of demand, control and manager and peer support. Having successfully delivered the final stages of the current Organisational Development Strategy focussing on career development opportunities and a Health at Work strategy during 2018/19, an updated version is being prepared (subject to approval 19/20). It will focus on succession planning and management development as well as maintaining an

excellent record with health at work. In 2018/19, the Authority had high levels of staff engagement with sickness at 3.2 days (1.2 days short term sickness) per member of staff, well below the public sector average at 5.6 days.

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

The Authority works jointly with the other English National Parks to look for opportunities for efficiency in procurement and delivery of services. We currently jointly procure Health and Safety advice from another Park Authority.

### ***Financial management***

The Authority's financial management arrangements conform to the majority of the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010. The notable exception being the Chief Financial Officer does not report directly to the Chief Executive. The Chief Financial Officer reports to the Director of Business Development and is a member of the Leadership Team. The Chief Financial Officer reports directly to the full Authority and Finance and Audit Group on significant financial matters including the three year Medium-Term Financial Plan, treasury management, financial performance and audit work. Being a small Authority this is deemed the most efficient and effective structure. The Chief Financial Officer does, however, have direct and unfettered access to the Chief Executive and Authority Members as and when required in order to perform the role.

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

Responsibility for each of the budget heads and projects is given to the Directors, Heads of Department, line managers and other staff. All financial areas are audited through a prioritised plan. Annual trading accounts are produced and used to scrutinise and challenge the effective performance of commercially important operations including: The Sill National Landscape Discovery Centre; Eastburn Enterprise Hub; and the Hadrian's Wall car park charging scheme.

Monthly reports to all budget managers are provided and actively scrutinised. All managers are required to keep up to date with their budget and report on this on a monthly basis. The Leadership Team reviews the budget quarterly with key issues being reported to members. A Finance and Audit Group consisting of members, the Chief Executive, Director of Business Development and the Chief Financial Officer meet on a quarterly basis to discuss the key financial business of the Authority, including providing a steer from members on the budget strategy and scrutinising the detail of the half and full year financial performance before the formal report is issued to the Authority. External auditors are invited to observe these meetings and are regular attendees. The Authority receives annual and quarterly financial reports. Key targets and areas of high corporate risk are reported quarterly to the Authority alongside performance.

### ***Performance management***

All targets and objectives within the National Park Management Plan, the Business Plan and Operational Plan are regularly monitored and reviewed. In addition performance management is applied in a consistent way across the Authority. Key performance indicators, which are a mix of measures of activity, processes, outputs and outcomes are in place for the whole of the Authority's work.

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

Business critical operations such as the new Sill National Landscape Discovery Centre produce performance reports on a weekly basis to the Leadership Team and regular scrutiny of performance takes place through monthly reviews and quarterly Sill Advisory Boards.

The Authority receives an annual review of performance which provides an assessment of how the annual work programme has contributed to the Business Plan targets and the vision as set out in the statutory National Park Management Plan. Performance is publicly reported including through publication of an Annual Report and the Authority's website.

In addition, the Authority produces a **State of the Park Monitoring Report** which provides high level outcome measures to further inform progress on the overall state of the National Park and reflects changes and challenges in the economic, social and environmental health of Northumberland National Park over the medium term (3-5 years).

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

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

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

### ***Internal Control***

The Head of Internal Audit's Opinion on the overall adequacy and effectiveness of the Authority's governance, risk and control framework during 2018/19 was that, there has been an adequate and effective system of control in place.

This Opinion is based on the audit work undertaken on the following areas, as agreed by the Finance and Audit Group:

- The Sill (income and recharges to partners)
- Performance Framework
- Budget Setting and Monitoring Arrangements

This work has identified areas where further improvements to the system of control can be made. In detail, as a result of these audits and a follow-up audit of previous recommendations:

- 1 recommendation was categorised as low priority;
- 2 recommendations were categorised as medium priority; and
- 1 recommendation was categorised as high priority

**The Authority's systems of internal control including: governance; financial management; internal audit; performance management and; improvement planning together provide, a strong basis to provide assurance for board members and the management of the Authority.**

..... Chief Executive

..... Chairman

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

Statement to be inserted in the Final Accounts, to be published on or by the 31<sup>st</sup> July 2019, on completion of the audit by Ernst Young.

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

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Statement to be inserted in the Final Accounts, to be published on or by the 31<sup>st</sup> July 2019, on completion of the audit by Ernst Young.

## Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2019

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
				£	£	£
291,977	(54,279)	237,698	Conservation of Natural Environment	311,518	(82,232)	229,286
401,368	(371,475)	29,893	Conservation of Cultural Heritage	261,818	(135,280)	126,538
360,635	(350,795)	9,840	Recreation Management and Transport	362,192	(410,895)	(48,703)
2,845,530	(600,242)	2,245,288	Promoting Understanding	998,509	(1,019,984)	(21,475)
366,866	(10,491)	356,375	Rangers, Estates and Volunteers	384,559	(8,286)	376,273
155,470	(23,982)	131,488	Development Control	166,807	(41,918)	124,889
234,306	(35,485)	198,821	Forward Planning and Communities	200,569	(33,687)	166,882
1,577,198	(61,880)	1,515,318	Corporate Management and Administration	1,376,642	(50,694)	1,325,948
<b>6,233,350</b>	<b>(1,508,629)</b>	<b>4,724,721</b>	<b>Cost of Services</b>	<b>4,062,614</b>	<b>(1,782,976)</b>	<b>2,279,638</b>
-	-	-	Other operating income (Note 3)	-	(225)	(225)
118,818	(4,220)	114,598	Financing and investment income and expenditure (Note 4)	129,565	(4,509)	125,056
-	(3,992,475)	(3,992,475)	Non specific grant income (Note 5)		(2,683,959)	(2,683,959)
		<b>846,844</b>	<b>(Surplus)/deficit on the Provision of services</b>			<b>(279,490)</b>
		27,428	Revaluation (gain) / loss on Land and Buildings revalued on the 31 <sup>st</sup> March 2019 (Note 24)			(113,003)
		520,000	Actuarial losses on Pension Fund assets and liabilities (Note 19)			(540,000)
		<b>547,428</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(653,003)</b>
		<b>1,394,272</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(932,493)</b>

The above Comprehensive Income and Expenditure Account shows a true and fair view of the income and expenditure of the Authority for the year ended 31st March 2019.

The accounting policies and notes on pages 25 to 63 form an integral part of these financial statements.

..... Chief Financial Officer ..... Date

**Movement in Reserves Statement for the Year Ended 31st March 2019**

	General Fund Balance £	Earmarked General Fund Reserves £	Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
<b>Balance as at 31 March 2017</b>	<b>1,116,424</b>	<b>523,900</b>	-	<b>1,640,324</b>	<b>6,506,101</b>	<b>8,146,425</b>
<b>Movement in Reserves during 2017/18</b>						
Deficit on the provision of services	(846,844)	-	-	(846,844)	-	(846,844)
Other comprehensive income and expenditure	-	-	-	-	(547,428)	(547,428)
<b>Total comprehensive income and expenditure</b>	<b>(846,844)</b>	-	-	<b>(846,844)</b>	<b>(547,428)</b>	<b>(1,394,272)</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	(117,176)	-	-	(117,176)	117,176	-
<b>Net (Decrease) before Transfers to Earmarked Reserves</b>	<b>(964,020)</b>	-	-	<b>(964,020)</b>	<b>(430,252)</b>	<b>(1,394,272)</b>
Transfers from Earmarked Reserves (Note 10)	308,000	(308,000)	-	-	-	-
<b>Decrease in 2017/18</b>	<b>(656,020)</b>	<b>(308,000)</b>	-	<b>(964,020)</b>	<b>(430,252)</b>	<b>(1,394,272)</b>
<b>Balance as at 31 March 2018</b>	<b>460,404</b>	<b>215,900</b>	-	<b>676,304</b>	<b>6,075,849</b>	<b>6,752,153</b>
<b>Movement in Reserves during 2018/19</b>						
Surplus on the provision of services	279,490	-	-	279,490	-	279,490
Other comprehensive income and expenditure	-	-	-	-	653,003	653,003
<b>Total comprehensive income and expenditure</b>	<b>279,490</b>	-	-	<b>279,490</b>	<b>653,003</b>	<b>932,493</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	39,380	-	4,500	43,880	(43,880)	-
<b>Net (Decrease) before Transfers to Earmarked Reserves</b>	<b>318,870</b>	-	<b>4,500</b>	<b>323,370</b>	<b>609,123</b>	<b>932,493</b>
Transfers from Earmarked Reserves (Note 10)	(419,559)	419,559	-	-	-	-
<b>Increase/ (Decrease) in 2018/19</b>	<b>(100,689)</b>	<b>419,559</b>	<b>4,500</b>	<b>323,370</b>	<b>609,123</b>	<b>932,493</b>
<b>Balance as at 31 March 2019</b>	<b>359,715</b>	<b>635,459</b>	<b>4,500</b>	<b>999,674</b>	<b>6,684,972</b>	<b>7,684,646</b>

The accounting policies and notes on pages 25 to 63 form an integral part of these financial statements.

**Balance Sheet as at 31st March 2019**

<b>31 March 2018</b>		<b>Note</b>	<b>31 March 2019</b>
£			£
11,520,064	Property, Plant and Equipment	24	11,805,862
4,275	Assets Held for Sale	25	20,833
-	Intangible Assets	26	-
<b>11,524,339</b>	<b>Long Term Assets</b>		<b>11,826,695</b>
24,443	Inventories	28	36,237
296,350	Short Term Debtors	29	606,716
840,108	Cash and Cash Equivalents	30	673,926
<b>1,160,901</b>	<b>Current Assets</b>		<b>1,316,879</b>
(516,395)	Short Term Creditors	31	(349,504)
(38,268)	Short Term Borrowing	33	(39,141)
(9,000)	Short Term Provisions	34	-
<b>(563,663)</b>	<b>Current Liabilities</b>		<b>(388,645)</b>
(1,209,424)	Long Term Loan	33	(1,170,283)
(4,160,000)	Pensions Liability	19	(3,900,000)
<b>(5,369,424)</b>	<b>Long Term Liabilities</b>		<b>(5,070,283)</b>
<b>6,752,153</b>	<b>Net Assets</b>		<b>7,684,646</b>
676,304	Usable reserves	11	999,674
6,075,849	Unusable reserves	12	6,684,972
<b>6,752,153</b>	<b>Total Reserves</b>		<b>7,684,646</b>

The above Balance Sheet presents a true and fair financial position of the Authority as at 31st March 2019.

The accounting policies and notes on pages 25 to 63 form an integral part of these financial statements.

..... Chief Financial Officer

..... Date

## Cash Flow Statement for the Year Ended 31st March 2019

2017/18		2018/19
£		£
846,844	Net (Surplus)/deficit on the provision of services	(279,490)
(2,496,074)	Adjustments to net surplus on the provision of services for non-cash movements (Note 13)	289,411
1,733,397	Adjustments for items included in the net surplus or deficit on the provision of services that are investing activities	128,299
<u>84,167</u>	Net cash flows from Operating Activities (Note 14)	<u>138,220</u>
594,417	Investing Activities (Note 15)	(10,306)
37,414	Financing Activities (Note 16)	38,268
<b>715,998</b>	<b>Net Decrease in cash and cash equivalents</b>	<b>166,182</b>
1,556,106	Cash and cash equivalents at the beginning of the reporting period	840,108
<b>840,108</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 30)</b>	<b>673,926</b>

The accounting policies and notes on pages 25 to 63 form an integral part of these financial statements.

## Statement of Accounting Policies

### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

### Property, Plant and Equipment

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the Statement of Accounts. Expenditure on Property, Plant and Equipment is capitalised, provided that the Property, Plant and Equipment yields benefits extending over more than one year to the Authority and is greater in value than £25,000. This excludes expenditure on routine repairs and maintenance of Property, Plant and Equipment which is charged direct to the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment are classified into the following groups, as required by the Code of Practice on Local Authority Accounting 2018/19 issued by CIPFA:

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

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

### Depreciation

Annual depreciation is calculated on a straight-line basis at valuation or cost less residual value, divided by the estimated useful life of the asset. The useful lives of buildings range between 10 - 99 years and are based on details advised by independent valuers. Equipment useful lives range from 3 – 15 years depending on the type of asset. The charge is time-apportioned in the year of acquisition.

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

## **Impairment**

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Third Party Capital Expenditure**

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

## **Intangible Assets**

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

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

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

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

## **Heritage Assets**

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

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

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

The acquisition or disposal of a Heritage Asset would require the approval of the Authority, if the criteria for capitalisation was met (i.e. it yields benefits extending over more than one year to the Authority and is greater in value than £25,000). In any other instance the approval of the Leadership Team or the relevant Head of Department would be necessary.

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

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

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

The Authority does not currently have any Heritage Assets held within the Balance Sheet.

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

## **Stock**

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

## **Debtors and Creditors**

The revenue and capital accounts of the Authority are, in general, maintained on an accruals basis in accordance with International Accounting Standard (IAS) 18, applying a discretionary de-minimis of £500. 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 2019.

## **Provision for Doubtful Debts**

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

## **Overheads**

Costs of management and administration are not re-allocated to the other cost headings within the accounts, but are shown as 'Corporate Management and Administration Costs' on the face of the Comprehensive Income and Expenditure Account.

## **Cash and Cash Equivalents**

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

## **Provisions**

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

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

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

## **Leases**

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

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

## **Capital Receipts**

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

## **Grants and Revenue Recognition**

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

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

## Reserves

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

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

## Pensions

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

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

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

## Events after the Reporting Period

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

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

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

## **Financial Instruments**

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

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

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

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

Financial assets are assets which have fixed or determinable payments but are not quoted in an active market. At the year end the only financial instruments held by the Authority are Short-Term Receivables.

Financial assets represented by the fixed term deposits are initially recognised at fair value and then subsequently carried in the balance sheet at amortised cost. Financial assets represented by receivables are short-duration receivables with no stated interest rate and are therefore measured at original invoice amount. There have been no revaluations of financial instruments in the period so there are no gains or losses recognised in the accounts; hence there is no variation between the carrying value and fair value of Financial Instruments.

## **VAT**

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

## Notes to the Accounts

### 1. Expenditure and Funding Analysis for the Year Ended 31st March 2019

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between the funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure statement		Net Expenditure Chargeable to the General Fund	Adjustments between the funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure statement
202,998	34,700	237,698	Conservation of Natural Environment	190,286	39,000	229,286
22,393	7,500	29,893	Conservation of Cultural Heritage	107,538	19,000	126,538
(56,931)	66,771	9,840	Recreation Management and Transport	(70,197)	21,494	(48,703)
2,633,629	(388,341)	2,245,288	Promoting Understanding	189,284	(210,759)	(21,475)
315,675	40,700	356,375	Rangers, Estates and Volunteers	328,073	48,200	376,273
110,095	21,393	131,488	Development Control	104,589	20,300	124,889
178,421	20,400	198,821	Forward Planning and Communities	151,582	15,300	166,882
1,435,617	79,701	1,515,318	Corporate Management and Administration	1,238,878	87,070	1,325,948
<b>4,841,897</b>	<b>(117,176)</b>	<b>4,724,721</b>	<b>Cost of Services</b>	<b>2,240,033</b>	<b>39,605</b>	<b>2,279,638</b>
-	-	-	Other Operating Income (Note 3)	-	(225)	(225)
114,598	-	114,598	Financing and investment income and expenditure (Note 4)	125,056	-	125,056
(3,992,475)	-	(3,992,475)	Non specific grant income (Note 5)	(2,683,959)	-	(2,683,959)
<b>964,020</b>	<b>(117,176)</b>	<b>846,844</b>	<b>(Surplus) /Deficit on the Provision of services</b>	<b>(318,870)</b>	<b>39,380</b>	<b>(279,490)</b>
1,640,324			Opening balance on the General Fund	676,304		
(964,020)			Add Surplus (less Deficit) on the Provision of services	318,870		
<b>676,304</b>			<b>Closing Balance on the General Fund</b>	<b>995,174</b>		

## Note to the Expenditure and Funding Analysis for the Year Ended 31st March 2019 - Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Balance

2018/19	Adjustments for Capital Purposes	Net change for Pension adjustments	Movement in accrual for accumulated absence	Total Adjustments
	£	£	£	£
Conservation of the Natural Environment	-	39,200	(200)	39,000
Conservation of the Cultural Heritage	-	19,600	(600)	19,000
Recreation Management and Transport	3,869	19,600	(2,200)	21,269
Promoting Understanding	(295,359)	89,600	(5,000)	(210,759)
Rangers, Estates and Volunteers	-	47,600	600	48,200
Development Control	-	22,400	(2,100)	20,300
Forward Planning and Communities	-	19,600	(4,300)	15,300
Management and Administration	59,370	22,400	5,300	87,070
<b>Total (Deficit)</b>	<b>(232,120)</b>	<b>280,000</b>	<b>(8,500)</b>	<b>39,380</b>
<b>2017/18</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for Pension adjustments</b>	<b>Movement in accrual for accumulated absence</b>	<b>Total Adjustments</b>
	£	£	£	£
Conservation of the Natural Environment	-	33,600	1,100	34,700
Conservation of the Cultural Heritage	-	7,200	300	7,500
Recreation Management and Transport	51,371	14,400	1,000	66,771
Promoting Understanding	(470,941)	81,600	1,000	(388,341)
Rangers, Estates and Volunteers	-	40,800	(100)	40,700
Development Control	893	19,200	1,300	21,393
Forward Planning and Communities	-	21,600	(1,200)	20,400
Management and Administration	61,201	21,600	(3,100)	79,701
<b>Total (Deficit)</b>	<b>(357,476)</b>	<b>240,000</b>	<b>300</b>	<b>(117,176)</b>

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

The 2018/19 code requires the Authority to disclose information relating to the impact of an accounting change that will be required by new accounting standards that have been issued but not yet adopted by the Code. Amendments to the 2018/19 Code of Practice on Local Authority Accounting have been reviewed and are not considered to be relevant or are immaterial to the Authority.

## 3. Other Operating Income

2017/18	2018/19
£	£
- Gains/ (losses) on the disposal of non-current assets	(225)
<b>- Total</b>	<b>(225)</b>

## 4. Financing and Investment income and expenditure

2017/18	2018/19
£	£
80,000 Net interest on the net defined liability	100,000
38,818 Interest payable	29,565
(4,220) Interest receivable	(4,509)
<b>114,598 Total</b>	<b>125,056</b>

## 5. Non Specific Grant income

2017/18	2018/19
£	£
(2,583,297) National Park Grant *	(2,627,730)
(1,409,178) Capital Grants and Contributions	(56,229)
<b>(3,992,475) Total</b>	<b>(2,683,959)</b>

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

## 6. Cost of Services income

2017/18		2018/19
£		£
(843,186)	External grants	(1,047,141)
(665,443)	Sales, fees and charges	(735,835)
<b>(1,508,629)</b>	<b>Total</b>	<b>(1,782,976)</b>

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

## 7. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19, with amounts over £10,000 only shown:

### Credited to Taxation and Non Specific Grant Income

2017/18		2018/19
£		£
	<u>For The Sill: National Landscape Discovery Centre</u>	
1,135,366	National Lottery Heritage Fund	-
16,395	Northumberland National Park Foundation	56,229
257,417	Youth Hostel Association	-
<b>1,409,178</b>	<b>Total</b>	<b>56,229</b>

### Credited to Services

2017/18		2018/19
£		£
291,814	National Lottery Heritage Fund – The Sill: National Landscape Discovery Centre	554,718
113,644	Natural England – Hadrian’s Wall National Trail	113,672
20,000	Northumberland County Council – Hadrian’s Wall National Trail	15,000
5,000	Cumbria County Council – Hadrian’s Wall National Trail	-
266,251	The Arts Council – Hadrian’s Cavalry	35,100
10,000	Active Northumberland – Hadrian’s Cavalry	-
7,000	Carlisle City Council – Hadrian’s Cavalry	-
30,000	DCLG Self and Custom Build	30,000
5,485	DCLG Brownfields	3,687

Northumberland National Park Authority

31,238	Defra – Border Uplands	18,352
10,164	Natural England – Facilitation Fund	16,111
42,015	Northumberland National Park Foundation – Ancient site restoration	-
-	- Natural England – Revitalising Redesdale	90,389
-	- Yorkshire Dales National Park – Pennine Way	31,500
-	- Yorkshire Dales National Park – Hill Farm Training	10,000
-	- Kielder Water & Forest Park Development Trust – Border Uplands	20,000
-	- Northumberland National Park Foundation – The Sill	55,149
-	- Northumberland National Park Foundation – Increasing visitor awareness (signage)	25,000
-	- Northumberland National Park Foundation - Education	5,910
10,575	Other Revenue Grants each under £10,000	22,553
<b>843,186</b>	<b>Total</b>	<b>1,047,141</b>

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

2017/18		2018/19
£		£
1,855	Natural England – Cheviot Hill Tracks	1,855
18,352	Defra – Border Uplands	-
5,100	Arts Council – Hadrian’s Cavalry	-
-	- Environment Agency – Roman Wall Loughs	5,786
5,786	Other Revenue Grants each under £10,000	-
<b>31,093</b>	<b>Total</b>	<b>7,641</b>

## 8. Income and Expenditure in the Comprehensive Income and Expenditure Statement classified by nature.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is the same basis used to make decisions about resource allocation, which are taken by the Full Authority. A further analysis of the nature of income and expenditure is included below.

<b>2018/19</b>	Sales, Fees and Charges	Grants	<b>Total Income</b>	Employee Expenses	Depreciation and Impairment costs	Service Expenses	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	£	£	£	£	£	£	£	£
Conservation of the Natural Environment	(14,679)	(67,553)	(82,232)	290,945	-	20,573	311,518	229,286
Conservation of the Cultural Heritage	(18,128)	(117,152)	(135,280)	129,988	-	131,830	261,818	126,538
Recreation Management and Transport	(208,386)	(202,509)	(410,895)	137,469	13,661	211,062	362,192	(48,703)
Promoting Understanding	(396,744)	(623,240)	(1,019,984)	637,574	(210,429)	571,364	998,509	(21,475)
Rangers, Estates and Volunteers	(8,286)	-	(8,286)	352,903	-	31,656	384,559	376,273
Development Control	(41,918)	-	(41,918)	144,196	-	22,611	166,807	124,889
Forward Planning and Communities	-	(33,687)	(33,687)	133,356	-	67,213	200,569	166,882
Management and Administration	(47,694)	(3,000)	(50,694)	894,036	59,369	423,237	1,376,642	1,325,948
<b>Total Surplus</b>	<b>(735,835)</b>	<b>(1,047,141)</b>	<b>(1,782,976)</b>	<b>2,720,467</b>	<b>(137,399)</b>	<b>1,479,546</b>	<b>4,062,614</b>	<b>2,279,638</b>
<b>2017/18</b>	Sales, Fees and Charges	Grants	<b>Total Income</b>	Employee Expenses	Depreciation and Impairment costs	Service Expenses	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	£	£	£	£	£	£	£	£
Conservation of the Natural Environment	(12,849)	(41,430)	(54,279)	277,540	-	14,437	291,977	237,698
Conservation of the Cultural Heritage	(40,537)	(330,938)	(371,475)	59,368	-	342,000	401,368	29,893
Recreation Management and Transport	(210,276)	(140,519)	(350,795)	121,880	68,905	169,850	360,635	9,840
Promoting Understanding	(308,428)	(291,814)	(600,242)	637,208	1,522,613	685,709	2,845,530	2,245,288
Rangers, Estates and Volunteers	(10,491)	-	(10,491)	332,347	-	34,519	366,866	356,375
Development Control	(23,982)	-	(23,982)	135,008	893	19,569	155,470	131,488
Forward Planning and Communities	-	(35,485)	(35,485)	159,736	-	74,570	234,306	198,821
Management and Administration	(58,880)	(3,000)	(61,880)	1,037,052	61,201	478,945	1,577,198	1,515,318
<b>Total Surplus</b>	<b>(665,443)</b>	<b>(843,186)</b>	<b>(1,508,629)</b>	<b>2,760,139</b>	<b>1,653,612</b>	<b>1,819,599</b>	<b>6,233,350</b>	<b>4,724,721</b>

## 9. Adjustments between accounting basis and funding basis under regulations

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

2018/19	Usable Reserves		
	General Fund Balance (£)	Capital Receipts Reserve (£)	Movement in Unusable Reserves (£)
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation of non-current assets	649,494	-	(649,494)
Revaluation gains on non-current assets	(786,892)	-	786,892
Capital grants and contributions applied	(56,229)	-	56,229
Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	4,275	-	(4,275)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Capital Expenditure charged against the General Fund Balance	-	-	-
Minimum Revenue provision for the financing of capital investment	(38,268)	-	38,268
<b>Adjustment primarily involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	670,000	-	(670,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(390,000)	-	390,000
<b>Adjustment primarily involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8,500)	-	8,500
<b>Adjustment primarily involving the Capital Receipts Reserve:</b>			
Transfer of non current asset sale proceeds from Revenue to the Capital Receipts Reserve	(4,500)	4,500	-
<b>Total Adjustments</b>	<b>39,380</b>	<b>4,500</b>	<b>(43,880)</b>

2017/18	Usable Reserves		
	General Fund Balance (£)	Capital Receipts Reserve (£)	Movement in Unusable Reserves (£)
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation of non-current assets	463,516	-	(463,516)
Charges for impairment of non-current assets	1,187,371	-	(1,187,371)
Amortisation of intangible assets	2,725	-	(2,725)
Capital grants and contributions applied	(1,409,178)	-	1,409,178
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Capital Expenditure charged against the General Fund Balance	(564,496)	-	564,496
Minimum Revenue provision for the financing of capital investment	(37,414)	-	37,414
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>			
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-
<b>Adjustment primarily involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	730,000	-	(730,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(490,000)	-	490,000
<b>Adjustment primarily involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	300	-	(300)
<b>Total Adjustments</b>	<b>(117,176)</b>	<b>-</b>	<b>117,176</b>

**10. Transfers to/ (from) Earmarked Reserves**

<b><u>2018/19</u></b>	<b>Balance at 1<sup>st</sup> April 2018</b>	<b>Transfers out 2018/19</b>	<b>Transfers in 2018/19</b>	<b>Balance at 31<sup>st</sup> March 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Medium Term Budget Requirement and 2018/19 Budget carry forward.	-	-	490,600	490,600
IT Capital Replacements	35,000	-	10,000	45,000
Planning Contingency	100,000	(45,000)	-	55,000
Legacy Donation Fund	48,900	(43,800)	-	5,100
Sill Capital Earmarked Reserve	32,000	-	-	32,000
Development Management Fees Reserve	-	-	7,759	7,759
<b>Total Earmarked Reserves</b>	<b>215,900</b>	<b>(88,800)</b>	<b>508,359</b>	<b>635,459</b>

Transfer as per Movement in Reserves Statement £419,559

<b><u>2017/18</u></b>	<b>Balance at 1<sup>st</sup> April 2017</b>	<b>Transfers out 2017/18</b>	<b>Transfers in 2017/18</b>	<b>Balance at 31<sup>st</sup> March 2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
IT Capital Replacements	25,000	-	10,000	35,000
Planning Contingency	100,000	-	-	100,000
Legacy Donation Fund	48,900	-	-	48,900
Sill Phase 2 Working Balances	350,000	(318,000)	-	32,000
<b>Total Earmarked Reserves</b>	<b>523,900</b>	<b>(318,000)</b>	<b>10,000</b>	<b>215,900</b>

Transfer as per Movement in Reserves Statement (£308,000)

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

**Medium Term Budget Requirement and 2018/19 Budget carry forward**

This reflects the impact of the Medium Term Budget Plan 2019/20 – 2021/22 agreed in March 2019. As well as budget carry forwards proposed for agreement by the Authority in July 2019, the majority of which relates to multi-year projects.

**IT Capital Replacements**

A fund increasing by £10,000 per annum to be utilised for periodic replacement of ICT hardware and core systems (next scheduled replacement 2020/21)

**Planning Contingency**

The earmarked reserve has historically been held to cover the potential future legal costs of challenging or defending major planning decisions. During the year £45,000 was released to the

budget, to cover the cost of core assessment of the Local Plan during 2019/20, which statutorily is subject to core examination by the planning inspectorate as reviews are undertaken.

### Legacy Donation Fund

The Authority has been the recipient of two legacies totalling £72,800, which were placed in an earmarked reserve to ensure that the amounts received are used to fund projects that are appropriate to the donor's interests. £23,900 was released in 2015/16, giving an opening balance at 1 April 2018 of £48,900. During the year, the Authority approved the release of a further £43,800 to be used towards the Walltown project.

### Sill Capital Earmarked Reserve

The original reserve of £450,000 provided a 5% contingency to cover unplanned construction and fit out costs on the new building; this is in addition to normal contingencies contained within the detailed project costs. £418,000 of this reserve was released to the general fund during 2016/17 2017/18. £32,000 remains in the reserve and whilst there are no plans to use this at present, it is proposed to hold this until the capital improvements works at The Sill are complete and the project funds are successfully drawn down in full.

### Development Management Fees Reserve

In January 2018, Development Management fees were increased by 20% nationally with a stipulation that the increase should be used towards improvements within the service. 20% of all income from Development Management fees received in the year has been transferred to this reserve.

## 11. Usable Reserves

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

<b>2017/18</b>		<b>2018/19</b>
£		£
1,640,324	Opening Balance	676,304
(846,844)	Surplus / (Deficit) on the Provision of Services	279,490
(117,176)	Adjustments between accounting and funding basis (Note 9)	43,880
<b>676,304</b>	<b>Total Usable Reserves</b>	<b>999,674</b>

## 12. Unusable Reserves

<b>2017/18</b>		<b>2018/19</b>
£		£
844,220	Revaluation Reserve	878,948
9,432,429	Capital Adjustment Account	9,738,324
(4,160,000)	Pensions Reserve	(3,900,000)
(40,800)	Accumulated Absences Account	(32,300)
<b>6,075,849</b>	<b>Total Unusable Reserves</b>	<b>6,684,972</b>

## Revaluation Reserve

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

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

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

The revaluation reserve during the year was increased by £113,003 to reflect the net valuation gain on assets following the revaluation of car parks and visitor centres at 31 March 2019. £115,047 of this movement relates to an upward valuation of the visitors centre at Ingram. The reserve was decreased by £12,156 in respect of the difference between fair value depreciation and historical cost depreciation and £66,119 relating to historical gains on land at Ridley Stokoe which was disposed of during the Financial Year.

<b>2017/18</b>		<b>2018/19</b>
£		£
883,819	<b>Balance at 1 April</b>	844,220
(12,171)	Difference between fair value depreciation and historical cost depreciation	(12,156)
-	Upward revaluation of assets	123,573
(27,428)	Downward revaluation of assets	(10,570)
(27,428)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	113,003
-	Amount written off to the Capital Adjustment Account	(66,119)
<b>844,220</b>	<b>Balance at 31 March</b>	<b>878,948</b>

## Capital Adjustment Account

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

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

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

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

2017/18		2018/19
£		£
<b>9,062,782</b>	<b>Balance at 1 April</b>	<b>9,432,429</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(463,516)	• Charges for depreciation of non-current assets	(649,494)
(1,187,371)	• Net revaluation gains and (charges for impairment) of non-current assets	786,893
(2,725)	• Amortisation of intangible assets	
	• Net book value of Fixed Assets derecognised	(4,275)
(1,653,612)		133,124
12,171	Adjusting amounts written out of the Revaluation Reserve	78,275
(1,641,441)	Net written out amount of the cost of non-current assets consumed in the year	211,399
	Capital financing applied in the year:	
564,496	• Capital Expenditure charged against the General Fund Balance	-
1,409,178	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	56,229
-	• Application of grants to capital financing from capital grants unapplied	-
37,414	• Statutory provision for the financing of capital investment charged against the General Fund	38,268
2,011,088		94,497
<b>9,432,429</b>	<b>Balance at 31 March</b>	<b>9,738,324</b>

### Pensions Reserve

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

2017/18		2018/19
£		£
(3,400,000)	<b>Balance at 1 April</b>	(4,160,000)
(520,000)	Actuarial gains, (losses) on pensions assets and liabilities	540,000
(730,000)	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	(670,000)
490,000	Employer's pensions contributions and direct payments to pensioners payable in the year	390,000
<b>(4,160,000)</b>	<b>Balance at 31 March</b>	<b>(3,900,000)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for holidays or other compensated absences earned but not taken in the year, e.g. annual leave entitlement as a result of the annual leave year differing to the financial year. Statutory arrangements require the impact on the General Fund Balance is neutralised by transfers to or from the account.

2017/18		2018/19
£		£
(40,500)	<b>Balance at 1 April</b>	(40,800)
40,500	Cancellation of accrual made at the end of the preceding year	40,800
(40,800)	Amounts accrued at the end of the current year	(32,300)
(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	8,500
<b>(40,800)</b>	<b>Balance at 31 March</b>	<b>(32,300)</b>

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

2017/18		2018/19
£		£
(463,516)	Depreciation Property Plant and Equipment	(649,494)
(2,725)	Amortisation Intangible Assets	-
(1,187,371)	(Impairment charge)/ Revaluation Gain - Property Plant and Equipment	786,893
-	Net book value of Non Current Assets disposed of	(4,275)
(240,000)	IAS19 charges for Retirement Benefits	(280,000)
	<u>Items on an accruals basis:</u>	
18,813	• Increase in stock	11,794
(566,965)	• Decrease/ (Increase) in Debtors	310,367
299,829	• Increase/ (Decrease) in Creditors	175,892
(354,139)	• Increase/ (Decrease) in Capital Accruals	(61,766)
<b>(2,496,074)</b>	<b>Total Non Cash Movements</b>	<b>289,411</b>

**14. Cash Flow Statement – Operating Activities**

2017/18		2018/19
£		£
2,448,731	Cash paid to and on behalf of employees	2,426,237
1,752,169	Operating cash payments	1,689,611
(2,583,297)	National Park Grant	(2,627,730)
(889,813)	Other external revenue grants	(618,091)
(669,571)	Other operating cash receipts	(757,064)
(4,673)	Bank interest received	(4,510)
30,621	Loan interest paid	29,767
<b>84,167</b>	<b>Total Cash Flow from Operating Activities</b>	<b>138,220</b>

**15. Cash Flow Statement – Investing Activities**

2017/18		2018/19
£		£
2,327,813	Cash paid to purchase property, plant and equipment	117,994
(1,733,396)	Cash inflow Capital Grants	(123,800)
-	Cash inflow from the sale of Non-current Assets	(4,500)
<b>594,417</b>	<b>Total Cash Flow from Investing Activities</b>	<b>(10,306)</b>

## 16. Cash Flow Statement – Financing Activities

2017/18		2018/19
£		£
	- Cash receipts of long-term borrowing	
37,414	Repayments of long-term borrowing	38,268
<b>37,414</b>	<b>Net Cash Flows from Financing Activities</b>	<b>38,268</b>

## 17. Officers' Remuneration

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

		Salary/ Fees, and Allowances £	Compensation for loss of office £	Pension Contribution £	Total £
Chief Executive (National Park Officer)	2018/19	88,877	-	15,909	104,786
	2017/18	87,134	-	15,597	102,731
Head of Corporate Services and Monitoring Officer	2018/19	-	-	-	-
	2017/18	40,773	118,483	6,803	166,059
Sill Manager	2018/19	30,699	33,379	3,992	68,070
	2017/18	53,518	-	9,580	63,098
Director of Business Development	2018/19	52,558	-	9,408	61,966
	2017/18	-	-	-	-

A review of the structure of the Leadership Team in the last financial year resulted in two new Director Posts being created. The Director of Business Development position was filled in July 2019 and the Director of Park Management was appointed in October 2019.

The Sill Manager left the Authority in August 2018 and subsequently, this position was deleted and replaced with two part time posts. The Head of Sill Operations and The Head of Activities and Exhibitions.

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

Exit package cost band	Total number of exit packages per cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19
£20,000-£40,000	-	1	-	£33,729
£100,000-£150,000	1	-	£121,712	-

£103,260 of the exit package costs in 2017/18 relate to the strain on the pension fund to release pension benefit unreduced.

## 18. Audit Costs

In 2018/19 Northumberland National Park Authority incurred the following fees relating to external audit:

2017/18		2018/19
£		£
11,568	Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor	9,864
<b>11,568</b>		<b>9,864</b>

## 19. Pensions

### Introduction

The disclosures below relate to the funded liabilities within the Northumberland County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS") and related unfunded liabilities which have been included in the disclosure where appropriate.

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

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

### Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires Northumberland National Park Authority and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

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

### Key assumptions

	31 <sup>st</sup> March 2019 % p.a.	31 <sup>st</sup> March 2018 % p.a.	31 <sup>st</sup> March 2017 % p.a.
Discount rate	2.4%	2.6%	2.6%
RPI Inflation	3.3%	3.2%	3.1%
CPI Inflation	2.2%	2.1%	2.0%
Pension Increases	2.2%	2.1%	2.0%
Pension accounts revaluation rate	2.2%	2.1%	2.0%
Salary increases	3.7%	3.6%	3.5%

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

<b>Mortality assumption</b>	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018
<u>Males</u>		
Member aged 65 at accounting date	22.2	22.9
Member aged 45 at accounting date	23.9	25.1
<u>Females</u>		
Member aged 65 at accounting date	24.1	25.0
Member aged 45 at accounting date	25.9	27.3

### Assets

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

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

### Asset Allocation

	Value at 31st March 2019			Value at 31st March 2018	Value at 31st March 2017
	Quoted £m	Unquoted £m	Total £m	Total £m	Total £m
Equities	9.78	0.58	10.36	9.51	9.13
Property	0.66	-	0.66	0.55	0.53
Govt. bonds	2.69	-	2.69	2.56	2.38
Corporate bonds	1.25	-	1.25	1.08	1.03
Cash	-	-	-	-	-
Other	-	0.8	0.80	0.51	0.52
<b>Total</b>	<b>14.38</b>	<b>1.38</b>	<b>15.76</b>	<b>14.21</b>	<b>13.59</b>

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

### Reconciliation of funded status to Balance Sheet

	31st March 2019 £m	31st March 2018 £m	31st March 2017 £m
Fair value of assets	15.76	14.21	13.59
Present value of funded defined benefit obligation	(19.53)	(18.23)	(16.85)
Present value of unfunded defined benefit obligation	(0.13)	(0.14)	(0.14)
<b>Liability recognised on the Balance Sheet</b>	<b>(3.90)</b>	<b>(4.16)</b>	<b>(3.40)</b>



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

	For the year ended 31st March 2019 £m	For the year ended 31st March 2018 £m
Opening defined benefit obligation	18.23	16.85
Current service cost	0.57	0.55
Interest expense on defined benefit obligation	0.47	0.44
Contributions by participants	0.12	0.12
Actuarial losses due to changes in financial assumptions	1.12	0.33
Actuarial (gains) due to changes in demographic assumptions	(0.76)	-
Actuarial losses / (gains) due to liability experience	0.03	0.09
Net benefits paid out #	(0.25)	(0.25)
Past service cost (incl. curtailments)	-	0.10
Closing present value of liabilities	19.53	18.23

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

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

	For the year ended 31st March 2019 £m	For the year ended 31st March 2018 £m
Opening defined benefit obligation	0.14	0.14
Interest expense on defined benefit obligation	-	-
Actuarial losses due to changes in financial assumptions	0.01	0.01
Actuarial (gains) due to changes in demographic assumptions	(0.01)	-
Net benefits paid out	(0.01)	(0.01)
Closing present value of liabilities	0.13	0.14

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

	For the year ended 31st March 2019 £m	For the year ended 31st March 2018 £m
Opening fair value of assets	14.21	13.59
Interest income on assets	0.37	0.36
Remeasurement (losses) / gains on assets	0.93	(0.09)
Contributions by the employer	0.38	0.48
Contributions by participants	0.12	0.12
Net benefits paid out	(0.25)	(0.25)
Closing fair value of assets	15.76	14.21

**Actual return on assets**

	For the year ended 31st March 2019 £m	For the year ended 31st March 2018 £m
Interest income on assets	0.37	0.36
Remeasurement (losses) / gains on assets	0.93	(0.09)
Actual return on assets	<u>1.30</u>	<u>0.27</u>

The Authority's contributions to the fund for the accounting period ending 31 March 2019 are estimated to be £0.39m. In addition unfunded benefits paid by the Authority directly to beneficiaries were £0.01m in 2018/19 and is expected to be £0.1m for the accounting period ending 31 March 2020.

**Risks associated with the Fund in relation to accounting****Asset Volatility**

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

**Changes in Bond Yield**

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

**Inflation Risk**

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

**Life expectancy**

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

**Exiting Employers**

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

**Sensitivity Analysis**

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31<sup>st</sup> March 2019 and the projected service cost for the year ending 31<sup>st</sup> March 2020 is set out below.

In each case, only the assumption mentioned is altered, all the other assumptions remain the same

and are summarised above.

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

### Funded LGPS Benefits

#### Discount rate assumption

	<b>+0.1% pa</b>	<b>Base Figure</b>	<b>-0.1% pa</b>
Adjustment to discount rate			
Present value of total obligation (£Ms)	19.14	19.53	19.92
% change in present value of total obligation	-2.0%		2.0%
Projected service cost (£Ms)	0.59	0.61	0.63
Approximate % change in projected service cost	-3.0%		3.1%

#### Rate of general increases in salaries

	<b>+0.1% pa</b>	<b>Base Figure</b>	<b>-0.1% pa</b>
Adjustment to salary increase rate			
Present value of total obligation (£Ms)	19.61	19.53	19.45
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£Ms)	0.61	0.61	0.61
Approximate % change in projected service cost	0.0%		0.0%

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

	<b>+0.1% pa</b>	<b>Base Figure</b>	<b>-0.1% pa</b>
Adjustment to pension increase rate			
Present value of total obligation (£Ms)	19.84	19.53	19.22
% change in present value of total obligation	1.6%		-1.6%
Projected service cost (£Ms)	0.63	0.61	0.59
Approximate % change in projected service cost	3.1%		-3.0%

#### Post retirement mortality assumption

	<b>- 1 year</b>	<b>Base Figure</b>	<b>+ 1 year</b>
Adjustment to mortality age rating assumption*			
Present value of total obligation (£Ms)	20.16	19.53	18.91
% change in present value of total obligation	3.2%		-3.2%
Projected service cost (£Ms)	0.63	0.61	0.59
Approximate % change in projected service cost	3.9%		-3.9%

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

## **20. Members Allowances**

The total Northumberland National Park Authority Members allowances paid in the year was £40,699 (2017/18 £38,015).

The total Northumberland National Park Authority Members travel and subsistence paid in the year was £7,894 (2017/18 £6,316).

A provision of £9,000 was made during the year 2017/18 in relation to an anticipated claim from HMRC for tax on members' travel expenses. The liability was £8,131 in 2018/19 the balance of £869 from the prior year was written off.

## 21. Financial commitments

### Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2018/19 was £38,335 (2017/18 £38,788).

As at the balance sheet date, 31st March 2019, the National Park Authority had total future minimum lease payments under non-cancellable leases of £40,590 (31st March 2018 £38,188):

	31st March 2019		31st March 2018	
	Land and Buildings £	Vehicles £	Land and Buildings £	Vehicles £
Operating leases:				
Payments due within one year	-	21,516	-	23,190
Payments due within two and five years	-	19,074	-	14,998
	-	40,590	-	38,188

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

## 22. Related Party Transactions

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

### Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of the "National Park Grant" from the Department of the Environment, Food and Rural Affairs (DEFRA). Note 5 sets out the amount of "National Park Grant" received during the year 2018/19.

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 20. Community grants or invoices for the procurement of goods and services were paid to a number of organisations in which members were either trustees or had positions on the governing body. Details are set out in the following table. In all instances the relevant members did not take part in any discussion or decision relating to the award of the grants.

### Northumberland County Council

Of the eighteen Authority members who served during the year, six were nominated by Northumberland County Council. The Authority made and received payments for various services (excluding those relating to business rates and the pension fund) to Northumberland County Council during 2018/19. Details are set out in the following table.

<b>Payments to related parties</b>		<b>Payments to related party 2017/18</b>	<b>Due to related party at 31.3.18</b>	<b>Payments to related party 2018/19</b>	<b>Due to related party at 31.3.19</b>
	<b>Nature of relationship</b>	£	£	£	£
Northumberland County Council	a.	78,145	20,640	111,231	9,610
Bardon Mill & Henshaw Village Hall	b.	1,923	-	2,063	-
Glendale Agricultural Society	b.	-	-	4,600	-
Glendale Gateway Trust	b.	3,744	-	1,683	-
Greenhead Village Hall	b.	70	-	-	-
Harbottle Show	b.	-	-	250	-
Kirknewton Village Hall	b.	90	32	32	-
Kielder Water & Forest Park Development Trust	b.	-	-	1,889	-

<b>Receipts from related parties</b>		<b>Receipts from related party 2017/18</b>	<b>Due from related party at 31.3.18</b>	<b>Receipts from related party 2018/19</b>	<b>Due from related party at 31.3.19</b>
	<b>Nature of relationship</b>	£	£	£	£
Northumberland County Council (includes grants administered by Northumberland as the accountable body)	a.	23,185	-	29,488	106

Nature of relationship:

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

## 23. Capital Expenditure and Capital Financing

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

<b>2017/18</b>		<b>2018/19</b>
£		£
<b>1,285,105</b>	<b>Opening Capital Financing Requirement</b>	<b>1,247,691</b>
	<u>Capital Investment</u>	
1,038,442	Land and Buildings	40,165
935,232	Plant, Furniture and Equipment	16,064
-	Assets Under Construction	-
<b>1,973,674</b>		<b>56,229</b>
	<u>Sources of Finance</u>	
(1,409,178)	Government Grants and other contributions	(56,229)
	Application of Grants to Capital financing from Capital Grants Unapplied	
(564,496)	Direct Revenue Contributions	-
(37,414)	Repayment of loan principal	(38,268)
<b>1,247,691</b>	<b>Closing Capital Financing Requirement</b>	<b>1,209,424</b>
	<b>Explanation of movements in year</b>	
1,247,691	Expenditure financed from new external borrowing (not supported by government financial assistance)	1,209,424
<b>(37,414)</b>	<b>Increase/ (Decrease) in Capital Financing Requirement</b>	<b>(38,268)</b>

## 24. Property, Plant and Equipment

### Movements in Property, Plant and Equipment during 2017/18:

	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Assets Under Construction £	Total £
Cost / valuation as at 1st April 2017	<b>2,719,044</b>	<b>71,178</b>	<b>226,260</b>	<b>8,521,623</b>	<b>11,538,105</b>
Movement in assets under construction	8,279,026	-	242,597	(8,521,623)	-
Additions	1,038,442	-	935,232	-	1,973,674
De-recognition & Disposals	-	(69,680)	-	-	(69,680)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(27,428)	-	-	-	(27,428)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,139,264)	-	-	-	(1,139,264)
<b>Cost / Valuation as at 31st March 2018</b>	<b>10,869,820</b>	<b>1,498</b>	<b>1,404,089</b>	<b>-</b>	<b>12,275,407</b>
Accumulated Depreciation as at 1st April 2017	149,340	-	159,784	-	309,124
Depreciation Charge	308,765	15	154,736	-	463,516
De-recognition & Disposals	(17,297)	-	-	-	(17,297)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services					
<b>Accumulated depreciation as at 31 March 2018</b>	<b>440,808</b>	<b>15</b>	<b>314,520</b>	<b>-</b>	<b>755,343</b>
Net Book Value as at 31st March 2017	<b>2,569,704</b>	<b>71,178</b>	<b>66,476</b>	<b>8,521,623</b>	<b>11,228,981</b>
<b>Net Book Value as at 31st March 2018</b>	<b>10,429,012</b>	<b>1,483</b>	<b>1,089,569</b>	<b>-</b>	<b>11,520,064</b>

**Movements in Property, Plant and Equipment during 2018/19:**

	Land and Buildings	Surplus Land and Buildings	Plant, Furniture and Equipment	Assets Under Construction	Total
	£	£	£	£	£
Cost / Valuation as at 31st March 2018	<b>10,869,820</b>	<b>1,498</b>	<b>1,404,089</b>	-	<b>12,275,407</b>
Movement in assets under construction					
Additions	40,165	-	2,847	13,217	56,229
De-recognition & Disposals	(20,833)	-	(59,230)	-	(80,063)
Revaluation increases recognised in the Revaluation Reserve	54,682	-	-	-	54,682
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	187,463	-	-	-	187,463
<b>Cost / Valuation as at 31st March 2019</b>	<b>11,131,297</b>	<b>1,498</b>	<b>1,347,706</b>	<b>13,217</b>	<b>12,493,718</b>
Accumulated depreciation as at 31 March 2018	<b>440,808</b>	<b>15</b>	<b>314,520</b>	-	<b>755,343</b>
Depreciation Charge	427,460	15	222,019	-	649,494
Derecognitions and disposals	-	-	(59,230)	-	(59,230)
Impairment losses / (reversals) recognised in the Revaluation Reserve	(58,320)	-	-	-	(58,320)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(599,429)	-	-	-	(599,429)
<b>Accumulated depreciation as at 31 March 2019</b>	<b>210,518</b>	<b>30</b>	<b>477,309</b>	-	<b>687,857</b>
Net Book Value as at 31st March 2018	<b>10,429,012</b>	<b>1,483</b>	<b>1,089,569</b>	-	<b>11,520,064</b>
<b>Net Book Value as at 31st March 2019</b>	<b>10,920,780</b>	<b>1,468</b>	<b>870,397</b>	<b>13,217</b>	<b>11,805,862</b>

Additions to Property, Plant and Equipment have been financed through capital grants in 2018/19.

Revaluations were carried out on our car parks in line with our rolling programme of asset valuations, and a desk top valuation of The Sill was undertaken at 31 March 2019. Following a board decision on 20 March 2019 to pursue the sale of Falstone visitor centre, this asset was also revalued prior to its reclassification as an asset held for sale. The re-valuation of The Sill was carried out by Lambert Smith Hampton, and the others were carried out by James Ramsey, MRICS BSc (Hons) a Senior Surveyor of Newcastle City Council. The valuations were performed in accordance with the regulations set out by the International Financial Reporting Standards (IFRS) using the valuation methodology applicable to the asset classification. The Authority is not aware of any material change in the value of any other Property, Plant and Equipment as at 31 March 2019.

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

	31/03/2018	31/03/2019
Administrative offices	2	2
Rural Business Enterprise Hub	1	1
Visitor centres / tea rooms	4	4
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	5	4
Car parks / toilets	6	6

### **Acquisitions**

#### The Sill National Landscape Discovery Centre Building

Practical completion took place in the previous Financial Year and the centre was valued at £8,500,000 on 31 March 2018. During the current Financial Year, further building costs of £40,165 have been incurred, mainly in relation to groundworks in the car park. Given the materiality of this asset and the potential impact on the accounts relating to any changes to the indices used in valuing the property, an updated valuation of The Sill was commissioned and carried out at 31 March 2019. A revised value of £8,710,000 was given; an upward revaluation of £764,835.

#### The Sill National Landscape Discovery Fixture and Fittings

£16,064 of fixtures and fittings relating to the fit out of the Centre have been brought into additions of plant, furniture and equipment and assets under construction.

#### Derecognitions and Disposals

During the year, a decision was made by the Authority, to sell the Visitors Centre at Falstone and this has been reclassified as an asset held for sale.

A Wildfire Camera detection system which was part of a time limited trial was disposed of during the year as it had become redundant. The asset was held at it's original cost of £59,230 and had been fully depreciated.

### **Outstanding Capital Commitments**

As at the 31<sup>st</sup> March 2019 the Authority had outstanding capital commitments on the following projects as shown below:

Committed but not yet spent:

The Sill National Landscape Discovery Centre	£ 144,744
--	-----------

Approved but not yet committed

The Sill National Landscape Discovery Centre	£ 186,300
West of The Wall Project	£ 127,300

### **Uncertainties and Effect if Actual Results Differ from Assumptions**

Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

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

It is estimated that the annual depreciation charge for buildings will increase by £27.8k for every year that useful lives had to be reduced.

## 25. Assets held for Sale

	<b>2017/18</b>	<b>2018/19</b>
	<b>£</b>	<b>£</b>
Balance outstanding at start of the year	-	4,275
<b>Assets newly classified as held for sale</b>		
Property, Plant and Equipment	69,680	20,833
Impairment losses	<u>(65,405)</u>	
Assets sold	-	(4,275)
<b>Balance outstanding at 31 March</b>	<b>4,275</b>	<b>20,833</b>

## 26. Intangible Assets

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

Movements in Intangible Assets during 2017/18 and 2018/19 were as follows:

	<b>2017/18</b>	<b>2018/19</b>
	<b>£</b>	<b>£</b>
Cost / valuation balance as at 1 <sup>st</sup> April	35,381	35,381
Assets under construction	-	-
Acquisitions	-	-
Disposals	-	(21,981)
Cost / valuation balance at as 31 <sup>st</sup> March	<u>35,381</u>	<u>13,400</u>
Cumulative Amortisation balance as at 1st April	32,656	35,381
Amortisation for the year	2,725	
Written off on disposal	-	(21,981)
Cumulative Amortisation Balance as at 31 March	<u>35,381</u>	<u>13,400</u>
Net Book Value as at 31st March	-	-

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

During the year the website installed in 2014/15 was disposed of as this has been superseded. The asset value of £21,981 was fully depreciated.

## 27. Heritage Assets

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

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

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

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

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

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

## 28. Inventories

The total Northumberland National Park Authority Goods for Resale value at year end was £36,237 (2017/18 £24,443). The increased value of stock held can be attributed to the new Sill National Landscape Discovery Centre retail space.

There was a write off of obsolete stock during the financial year totalling £1,017 (during 2017/18 £1,304 written off).

## 29. Debtors

Analysis of debtors total at year end by organisation type

<b>31.03.18</b>		<b>31.03.19</b>
£		£
16,902	Central Government Bodies	13,551
1,429	Local Authorities	31,826
278,019	Other entities and individuals	561,339
<b>296,350</b>		<b>606,716</b>

## 30. Cash and cash equivalents

<b>31.03.18</b>		<b>31.03.19</b>
£		£
609,104	Bank Deposits	361,379
221,265	Bank Accounts	303,654
8,639	Cash in transit	7,493
1,100	Petty cash	1,400
<b>840,108</b>		<b>673,926</b>

## 31. Creditors

Analysis of creditors at year end by organisation type

<b>31.03.18</b>		<b>31.03.19</b>
£		£
47,417	Central government bodies	51,654
56,246	Other local authorities	15,815
412,732	Other entities and individuals	282,035
<b>516,395</b>		<b>349,504</b>

## 32. Financial Instruments

### 32.1 Financial Assets

Financial assets are assets which have fixed or determinable payments but are not quoted in an active market. At the year end the only financial instruments held by the Authority are Short-Term Receivables totalling £606,716 (2017/18 £296,350).

Financial assets represented by short-term receivables have no stated interest rate and are therefore measured at cost.

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

### 32.2 Financial Liabilities

Long Term Financial liabilities are represented by long term loans included in the balance sheet as the outstanding principal repayable. In 2016/17, the Authority drew down its second long term loan from the Public Works Loan Board (PWLB). This was a fixed term/ fixed interest loan for £1,208,000, repayable over 30 years. The fair value of the loans held by the Authority can be assessed by calculating the present value of the cash flows that will take place over the remaining term of loan. The fair values of the loan, provided by PWLB, are reported in Note 33.

Short-Term Financial liabilities represented by accruals and other payables are short-duration payables with no stated interest rate and are therefore measured at cost. All accruals and other payables totalling £349,504 (2017/18 £516,395) are due to be paid in less than one year.

There have been no revaluations of financial instruments in the period so there are no gains or losses recognised in the accounts; hence there is no variation between the carrying value and fair value.

**32.3 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.

**32.4 Interest Risk**

The Authority is not exposed to any significant risks in terms of interest rate risk. Both PWLB loans were taken on a fixed rate of interest basis, whilst interest rates remained historically low. The Authority is exposed to risk in changes in interest receivable on short term deposits, as interest is posted to the Comprehensive Income and Expenditure Statement and affects the General Fund balance pound for pound.

**32.5 Exchange Risk**

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

**32.6 Credit Risk**

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

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

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

In relation to trade debtors at 31<sup>st</sup> March past due but not impaired, a total of £7.336 was outstanding between 30 and 60 days. All balances past due but not impaired with the exception of £5,596 had been collected prior to the accounts being approved for audit in May 2019.

**33. Long Term Loans**

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

<b>31.03.18</b>	<b>Analysis by Type of Loan</b>	<b>31.03.19</b>
<u>£</u>		<u>£</u>
<u>38,268</u>	Public Works Loan Board	<u>39,141</u>

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

<b>31.03.18</b>	<b>Analysis by Type of Loan</b>	<b>31.03.19</b>	<b>Interest Rate</b>
<b>£</b>		<b>£</b>	
71,787	Public Works Loan Board (10 year loan)	62,054	1.73%
1,137,637	Public Works Loan Board (30 year loan)	1,108,229	2.45%
<b>1,209,424</b>	<b>Total</b>	<b>1,170,283</b>	

<b>31.03.18</b>	<b>Analysis by maturity</b>	<b>31.03.19</b>	<b>Ave. Interest Rate</b>
<b>£</b>		<b>£</b>	<b>%</b>
39,141	Between 1 and 2 years	40,035	2.09
122,872	Between 2 and 5 years	125,681	2.09
202,104	Between 5 and 10 years	195,874	2.09
192,322	Between 10 and 15 years	197,064	2.09
217,224	Between 15 and 20 years	222,578	2.09
245,350	Between 20 and 25 years	251,397	2.09
190,411	Between 25 and 30 years	137,654	2.09
<b>1,209,424</b>	<b>Total</b>	<b>1,170,283</b>	<b>2.09</b>

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

<b>31.03.18</b>	<b>PWLB Fair Value</b>	<b>31.03.19</b>
<b>£</b>		<b>£</b>
<b>1,401,683</b>	<b>Total</b>	<b>1,410,126</b>

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

### 34. Provisions

<b>31.03.2018</b>		<b>31.03.2019</b>
-	Opening Balance	9,000
9,000	Provision made in the Period	
	Used in the year	(9,000)
<hr/> 9,000	Closing Balance	<hr/> -

The Authority had made a provision in 2017/18 in respect of taxation due on members' travel expenses. The provision was fully released during the year against a charge from HMRC in respect of this.

### 35. Events after the Balance Sheet Date

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

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

The Chief Finance Officer authorised the draft Statement of Accounts 2018/19 for issue on the 31<sup>st</sup> May 2019, the statements being subject to the external audit process.