

Northumberland National Park Authority



STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2007

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## Summary of the 2006/07 Financial Year

The 2006/07 financial year represented a significant period of internal change for Northumberland National Park Authority. The whole staffing structure was re-organised early in the financial year and the corporate system of governance was re-organised towards the end of the year. The financial background was difficult as our funding department, DEFRA, encountered a number of issues which means that all the English National Park Authorities need to budget for a period of flat or reducing government funding.

**Staff Re-organisation** - The Wider Management Team (Chief Executive, Directors and middle managers) was reduced from 18 to 13. Most managers have new posts and different roles. Combined with the need to realign the base budget the Authority reduced its net staffing complement by 10 posts.

**Corporate Governance** - In March 2007 the Authority agreed a new governance system by which Members manage the corporate responsibilities of the Authority. The new system provides for more streamlined management with an increased emphasis on local delivery mechanisms.

**Financial Re-Alignment** - 2006/07 marked the first year of the Authority's savings action plan. This plan aims to reduce operating costs by £643,000 by the end of 2007/08. In 2006/07 the target was to achieve £250,000. The first year of the plan was successful with £273,000 of savings being realised.

As well as meeting these challenges the Authority was able to make significant progress including:

- Celebrating our 50<sup>th</sup> Anniversary with a visit from our DEFRA Minister to view our project to restore the Border Mires blanket bog and to meet the National Park's local businesses and regional partners
- Achieving over 1 million visitors for the first time on our popular community and visitor website;
- The Once Brewed National Park Centre winning the Enjoy England Awards for Excellence for the country's best Visitor Centre;
- Supporting 12 National Park businesses through the Green Tourism Business Scheme Award assessment and gaining a Silver GTBS Award ourselves;
- Establishing positive action on climate change with a target for reducing our carbon footprint by 2012 including the introduction of ethical and sustainable procurement;
- Hosting a visit to our rural farming communities of Their Royal Highnesses, Prince Charles and The Duchess of Cornwall;
- Qualifying our first intake of apprentices in traditional skills with national qualifications;
- Auditing the geology of the National Park and publishing a book (*Ancient Frontiers*) about the Hadrian's Wall area;
- Helping to open the new coast to coast Hadrian's Wall Cycle Path with Sustrans
- Supporting a wide range of community projects in business, arts, archaeology, wildlife and tourism ventures.

Our portfolio of projects was well managed. We successfully concluded two projects. The first, a cross-border community education project called Bridging the Border, and the second, a transnational shared learning project, ASPECT: A Sustainable Approach to Cultural and Environmental Tourism. In addition, two projects were transferred to the new Hadrian's Wall Heritage Limited Company covering volunteering and sustainable transport. In addition, the Authority's operation of the Sustainable Development Fund was completely revised, with new procedures being implemented and the SDF grants panel reconstituted, resulting in an immediate enhancement in the fund's performance.

In overall terms the financial outturn went according to plan with a variance on predicted outturn of about £30,000, or less than 1% of the operating budget. The year saw huge internal changes matched by improved service improvements and steady financial results.

Tony Gates, Chief Executive

## **Explanatory Forward**

### **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.

#### **Revenue Account**

Discloses the revenue expenditure and income by service for the year ended 31st March 2007.

#### **Balance Sheet**

Discloses the financial position of the National Park Authority as at 31st March 2007.

#### **Cash Flow Statement**

Discloses the inflows and outflows of cash arising from the activities of the National Park Authority for the year ended 31st March 2007.

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

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

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

Disclose more detailed information on the figures provided in the Revenue Account, Balance Sheet and Cash Flow Statement.

### **EXPLANATION OF MAJOR VARIANCES**

#### **Revenue**

The reduction in general fund balances for the year was £156,000 compared to £219,000 in 2005/06.

The Net Cost of Services increased by £41,000 to £3,342,000. The main increase was in Development Control and Forward Planning where £191,000 less planning delivery grant was received than in 2005/06. Corporate and Administration net cost increased by £37,000, largely due to re-classification of external audit and banking costs. These increases were offset by lower net project costs of £147,000. £126,000 of this was due to a substantial number of projects ending in 2005/06 including Rights of Way Improvements (£42,000), Sustainable Tourism (£30,000) and Biodiversity Actions (£21,000). Ongoing project net costs also fell. While net expenditure on the Sustainable Development Fund (£46,000) and Traditional Boundaries Traditional Skills (£16,000) increased, this was more than offset by reductions in net costs of Action Areas (£31,000), Cheviot Hills Project Officer (£24,000) and Marketing (£30,000).

The budgeted reduction in General Fund Balances for 2006/07 was £454,000. The actual reduction was £156,000 – a variance of £298,000.

Projects accounted for much of the underspend. Project net expenditure was budgeted at £640,000 but actual net expenditure was £312,000 – a variance of £327,000. There were two main components to this. The Sustainable Development Fund, despite increasing spend compared to 2005/06, has yet to catch up with the high level of budget underspend brought forward from previous years and had a £273,000 net underspend against budget. Measures were put in place towards the end of the financial year to improve the administration and marketing of the Fund and we are confident that the underspend against budget will be substantially improved upon in 2007/08. Action Areas had an underspend of £46,000 against budget. The introduction of community teams as part of staff restructuring should ensure that this situation is also addressed in 2007/08.

**Explanatory Forward (continued)**

**Capital**

Capital expenditure in 2006/07 amounted to £5,000 at Falstone Tearooms and Church House funded from Useable Capital Receipts, plus a further £36,000 of IT equipment from revenue which was capitalised under our policy of recognising individual items of expenditure costing over £10,000 which yield benefits to the Authority extending over more than one year.

In 2006/07 the Authority approved the release of the remaining Useable Capital Receipts for improvements to historic sites. This work is now expected to take place in 2007/08, utilising the balance of £28,000.

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

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

The National Park Authority is required to:

- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; and
- approve the Statement of Accounts.

### **Responsibilities of the Chief Financial Officer**

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

The Chief Financial Officer (Staff) is responsible for the preparation of the National Park Authority's statement of accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain (the "Code of Practice"), is required to present fairly the financial position of the National Park Authority at the 31st March 2007 and its income and expenditure for the year then ended.

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

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

The Chief Financial Officer (Staff) has also:

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

The Chief Financial Officer (Staff) should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the National Park Authority as at 31st March 2007 and its income and expenditure for the year then ended.

The Chief Financial Officer (Contract) is responsible for:

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

## Statement on the System of Internal Control

### Introduction

Northumberland National Park Authority is required to undertake proper practices in relation to its accounts as defined by the Account and Audit Regulations 2003. Thus a Statement of Internal Control is required for the year ending 31<sup>st</sup> March 2007. This needs to be produced alongside the Annual Accounts.

### Scope

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

### The Purpose of the System of Internal Control

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

The system of internal control has been in place for the year ended 31<sup>st</sup> March 2007 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues detailed below, accords with proper practice.

### The Internal Control Environment

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

The Authority has a hierarchy of plans setting out its work for the next 10 years with a planned review after 5-years. Key objectives are set as part of the statutory National Park Management Plan following wide consultation with community groups and stakeholders. The Vision in the Management Plan has been thematically cascaded into strategic objectives. Basically, two types of indicators exist to inform whether the objectives have been achieved:

1. Longer-term state of the park indicators (e.g. 10-yearly all-parks visitor survey to measure increase in visitor numbers: target 1.8m by 2014).
2. Management Plan targets which indicate the success or otherwise of activities directly related to achieving Management Plan objectives (e.g. 93% of rights of way in the National Park will be easy to use by the public by 2009).

A mid-term review of the National Park Management Plan is to take place in 2007 (for the period 2003 to 2006). In addition a number of Management Plan targets are key performance indicators which are reported on quarterly and annually as part of the performance management system.

The National Park Management Plan objectives are key to determining the prioritisation of resources which informs the three-year budget plan. The prioritised activities are set-out in the annual Corporate Plan and are then cascaded into service plans and forward work plans.

#### *Policy and decision making*

All policy is made by the Authority. The development of policy is facilitated by half-yearly Member policy conferences. Typically, these involve intensive away-day events at which key themes are discussed by Members and broad policy direction agreed. Detailed policy is then developed by the Policy and Strategy Directorate, often working in conjunction with the lead Members and ad hoc

### **Statement on the System of Internal Control (continued)**

Member working groups who provide a political steer, before formal adoption by the Authority. All policy decisions are therefore recorded in official and publicly available minutes.

Decision making is regulated by the Authority's Standing Orders, Scheme of Delegation, Financial Procedures and Member and officer Codes of Conduct. The process benefits from high level legal and financial advice via the Chief Financial Officer and Legal Monitoring Officer. In addition the Authority has appointed an Independent Member to chair the Standards Committee, which ensures the activities of Members comply with legislation and regulations. The executive ensures that the Authority has access to professional services from within and outside the staffing structure to provide specialist policy and legislative advice in key areas such as finance, estate management, development control, historic buildings, ecology, archaeology and recreational access.

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

The Authority has set a hierarchy of risk management which is delivered through the annual Corporate Risk Management Framework which identifies areas of highest corporate risk. This is then cascaded into work programmes. In addition the Authority has separate programmes to address health and safety and business continuity.

Internal Audit is focussed on corporate risk and systems of control. This is high level advice which is in part influenced by the Corporate Risk Management Framework but also takes account of the key control systems which underpin an effective, efficient and effective organisation e.g. corporate governance and budgetary control.

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

The Authority's whole operation is now subject to periodic review through Best Value legislation which has created the National Park Authority Performance Assessment regime. The Authority's work is routinely scrutinised by its Review Panel. These Members of the Authority provide a nationally recognised good model of high support and high challenge for business critical work programmes.

Inequality of pay is currently being highlighted as a significant risk to many local authorities. This is not the case at Northumberland National Park Authority, where a single-status exercise was completed, culminating in the introduction of a job evaluation scheme in 2004 to ensure equality.

#### ***Ensuring economical, effective and efficient use of resources***

The Authority fully accepted the results of the National Park Authority performance assessment (July 2005) and developed a financed action plan (September 2005) which is in turn annually scrutinised by the Review Panel.

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

The Authority achieves many of its objectives working with others in the private, public and voluntary sectors. Almost a quarter of the annual budget is spent in partnership with other bodies. An ever increasing amount of fieldwork is undertaken in partnership with community and voluntary groups. Sharing of costs and pooling of resources through partnership working has ensured exceptionally good value for money in areas such as web development, tourism marketing, sustainable transport and archaeological research.

### **Statement on the System of Internal Control (continued)**

### ***Financial management***

Responsibility for each of the budget heads and projects is given to managers and directors. All financial areas are audited through a rotational plan. All significant externally funded projects are audited regularly and often several times by different funding partners. In addition to audit, the)

Authority has requested value for money studies in high financial risk areas such as car parking income, estate asset options and pension fund evaluations / projections.

Standing Orders and Financial Regulations were reviewed and updated with the assistance of our internal auditors, Bentley Jennison, approved by the Authority in March 2006 and in place for 2006/07.

A modern, easy to use, financial monitoring system is accessible by all accountable staff on their desktops. The Strategic Management Team reviews the budget monthly with key issues being reported to Members. This process requires all managers to keep up to date with their budget and project performance management. Therefore the Authority receives annual and other significant financial reports and the Management Group receives regular budget reports. Key targets and areas of high corporate risk are regularly reported to the Management Group.

### ***Performance management***

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

The review of high profile projects and areas of work is examined quarterly by the Strategic Management Team with significant issues being reported to the Management Group.

Directors have monthly meetings with their managers to progress more detailed areas of work, such as the website, where lessons learned and activities to correct performance variations are discussed, agreed and implemented.

The Authority receives an annual review of performance as part of a corporate plan in which it sets current year's targets based on previous year's performance. The annual review of performance by the Authority provides a reality check as to how far the annual work programme has contributed to the delivery of the 10-yearly vision as set out in the statutory National Park Management Plan.

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

External Audit provide a management letter to the Authority annually. Recommendations within the letter are given to Management Group to produce an action plan to address any areas of weakness. The delivery of the action plan is scrutinised by the Review Panel to ensure the annual process works as intended. The Review Panel therefore provides an audit committee / overview role. Executive action is taken by the Chief Executive and corporate issues raised are discussed and action-planned by the Strategic Management Team. In addition, the Review Panel receive an annual report from the Internal Audit service describing the results of their annual work programme. The work of the Internal Audit service is determined in consultation with External Audit. External Audit's annual audit letter is made available on the Authority's public website.

The Review Panel examines the effectiveness of the system of internal control on an annual basis. The report from our internal auditors, Bentley Jennison was examined by the Review Panel in July 2007.

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

The National Park Authority Performance Assessment (NPAPA) provided an independent high-level review of the Authority's overall effectiveness.

### **Statement on the System of Internal Control (continued)**

In July 2005, NPAPA identified just three areas where weakness outweighed strengths. By March 31st 2007, the Authority had fully addressed two of these areas for improvement: by restructuring the Authority's staff and governance arrangements; and using the new Strategic Priority Setting process to reduce the baseline budget and direct resources to areas of highest strategic need. In 2007/08 the Authority will take steps to improve systematic learning from performance management by setting a corporate planning framework which ensures activity is directed at meeting priority needs. This will be supported by improved human resources policies to sustain service improvements.

At the operational level internal audit reported on the following areas in 2006/07:

- high level financial controls
- risk management
- establishment and personnel – restructuring
- savings action plan
- sharepoint
- audit follow-ups

There were no new significant recommendations made, although there are some recommendations from previous year's audits which are still to be implemented following restructuring. The specific area audit reports all concluded with positive comments on the soundness and effectiveness of the controls put in place.

..... Chief Executive

..... Chairman

**Independent Auditors' Report to the Members of Northumberland National Park Authority**

Not yet audited

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Not yet audited

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Not yet audited

**Income and Expenditure Account for the Year Ended 31st March 2007**

	Gross Expenditure	Income	Net Expenditure	Restated 2005/06
	£	£	£ 2006/07	£
Conservation of Natural Environment	556,373	102,696	453,677	331,012
Conservation of Cultural Heritage	731,462	337,052	394,410	312,968
Recreation Management	427,558	195,159	232,399	409,645
Promoting Understanding – Information, Interpretation and Education	1,104,889	210,364	894,525	1,119,601
Traffic and Transport	24,851	9,852	14,999	36,893
Rangers, Estates and Volunteers	603,773	8,618	595,155	615,415
Development Control	197,232	57,819	139,413	(5,043)
Forward Planning	251,672	52,525	199,147	91,984
Corporate Management and Administration	396,886	6,021	390,865	353,929
Training and Staff Development	27,827	0.00	27,827	34,765
<b>Net Cost of Services</b>	<b>4,322,523</b>	<b>980,106</b>	<b>3,342,417</b>	<b>3,301,079</b>
Interest and Investment Income			(71,432)	(78,249)
Pensions Interest Cost and Expected Return on Pension Assets			30,000	60,000
<b>Net Operating Expenditure</b>			<b>3,300,985</b>	<b>3,282,830</b>
National Park Grant			2,879,171	2,810,044
<b>Deficit / (Surplus) for the Year</b>			<b>421,814</b>	<b>472,786</b>

The above Income and Expenditure Account presents fairly income and expenditure of the Authority for the year ended 31st March 2007

..... Chief Financial Officer (Staff)

..... Date

## Statement of Movement on General Fund Balance for the Year Ended 31st March 2007

	Note	Net Expenditure	Restated
		2006/07 £	2005/06 £
<b>(Surplus)/Deficit for the Year on the Income and Expenditure Account</b>		<b>421,814</b>	<b>472,786</b>
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year	16.	(266,120)	(253,787)
<b>(Increase)/Decrease in General Fund Balance for the Year</b>		<b>155,694</b>	<b>218,999</b>
General Fund Balance brought forward		1,019,770	1,238,769
<b>General Fund Balance carried forward and generally available for new expenditure</b>		<b>864,076</b>	<b>1,019,770</b>

**Statement of Total Recognised Gains and Losses for the Year Ended 31st March 2007**

	<b>2006/07</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
<b>(Surplus)/Deficit for the Year on the Income and Expenditure Account</b>	<b>421,814</b>	<b>472,786</b>
Actuarial Gains / Losses	140,000	130,000
<b>Total Recognised Gains / Losses for the Year</b>	<b>281,814</b>	<b>342,786</b>

**Balance Sheet as at 31st March 2007**

	Note	£	2006/07 £	2005/06 £
<b>Fixed Assets</b>				
Land and Buildings	9.	2,520,517		
Equipment	9.	<u>240,146</u>	2,760,663	2,975,423
<b>Current Assets</b>				
Stock	10.	39,695		45,454
Debtors	11.	247,139		339,159
Cash at Bank and in Hand	12.	<u>876,878</u>		<u>2,294,475</u>
		1,163,712		2,679,088
<b>Current Liabilities</b>				
Creditors	13.	215,363		1,622,449
Bank Overdraft		<u>56,160</u>		<u>3,623</u>
		271,523		1,626,072
<b>Net Current Assets</b>			892,189	1,053,016
<b>Long Term Liabilities</b>				
Deferred Grants	14.	37,989		41,762
Pensions Liability	5.	<u>1,910,000</u>		<u>2,000,000</u>
			(1,947,989)	(2,041,762)
<b>TOTAL NET ASSETS</b>			<u>1,704,863</u>	<u>1,986,677</u>
<b>Financed by:</b>				
General Fund Balance	15.		864,076	1,019,770
Fixed Asset Restatement Account	17.		2,726,356	2,726,356
Useable Capital Receipts			28,114	33,247
Capital Financing Account			(3,683)	207,304
Pensions Reserve			(1,910,000)	(2,000,000)
<b>TOTAL RESERVES</b>			<u>1,704,863</u>	<u>1,986,677</u>

The above Balance Sheet presents fairly the financial position of the Authority as at 31st March 2007

..... Chief Financial Officer (Staff)

..... Date

**Cash Flow Statement for the Year Ended 31st March 2007**

	Note	£	2006/07 £	2005/06 £
<b>Revenue Activities</b>				
Cash outflows:				
Cash paid to and on behalf of employees		2,386,364		2,247,799
Operating cash payments		<u>3,000,429</u>		<u>1,205,249</u>
			5,386,793	3,453,048
Cash inflows:				
National Park Grant / Levies		2,879,171		2,810,044
Other external grants	18.	785,902		1,228,985
Other operating cash receipts		<u>222,684</u>		<u>261,078</u>
			3,887,757	4,300,107
Net cash (outflow)/ inflow from Revenue Activities				
	19.		(1,499,036)	847,059
<b>Servicing of Finance</b>				
Cash inflows:				
Interest received			71,432	78,249
<b>Capital Activities</b>				
Cash outflows:				
Purchase of Fixed Assets			(41,025)	(60,085)
Capital Grant repaid			(1,505)	0
Cash inflows:				
Capital Grants			0	23,993
<b>Increase in Cash</b>				
	20.		<u>1,470,134</u>	<u>889,216</u>

## **Statement of Accounting Policies**

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

### **Accounting Convention**

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

### **Fixed Assets**

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

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

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

### **Depreciation**

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

### **Capital Charges / Change in Accounting Policy**

In previous years, capital charges were made to the Revenue Account, equating to a notional 3.5% interest charge applied to the net amount at which the fixed asset, excluding work-in-progress, was included in the Balance Sheet. In 2006/07 the revised Code of Practice required the removal of capital financing charges. As a consequence 2005/06 accounts have been restated in order to aid comparison.

### **Third Party Capital Expenditure**

Grants made to third parties to fund expenditure of a capital nature (e.g. sheds, walls, etc.) are initially capitalised on the Balance Sheet as a deferred charge. The deferred charge is, however, immediately written off to the Revenue Account if no lasting benefit will accrue to the National Park Authority. Any external grants received to finance this expenditure are credited to the Revenue Account in the same period in accordance with the matching principle. Where there will be a lasting benefit to the National Park Authority, the deferred charge is amortised over the period in question. Any external grants received to finance this expenditure are credited to the Revenue Account over the same period, in accordance with the matching principle. Outstanding balances are credited to a Deferred Grants Reserve.

### **Stock**

Stock for re-sale, held at Eastburn, visitor centres and information points, has been valued at the lower of cost and net realisable value.

## **Statement of Accounting Policies (continued)**

### **Overheads**

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

### **Capital Receipts**

Amounts receivable from the disposal of fixed assets are credited to the useable capital receipts reserve on an accruals basis.

### **Grants**

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.

Capital grants that have been received for the acquisition of fixed assets are credited to the government grants deferred account and written off to the asset management revenue account over the useful life of the asset to match the depreciation of the asset to which it relates. However, where the asset acquired will not be depreciated, the government grants deferred account is written off to the capital financing reserve.

### **Pensions**

FRS17, Retirement Benefits, supersedes Statement of Accounting Practice (SSAP 24), Accounting for Pension Costs. The FRS requires a liability to be recognised as benefits are earned, not when they are due to be paid.

The provisions of the Local Government Pension Scheme (LGPS) cover present and past employees, which is statutory and should be fully funded. The Authority participates in the Local Government Pension Scheme, administered by Northumberland County Council. This is a defined benefit scheme, meaning that the retirement benefits are determined independently of the investments in the scheme and employers are obliged to make additional contributions where assets are insufficient to meet retirement benefits. Under the Local Government Pension Scheme Regulations the pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate.

## Notes to the Accounts

### 1. Income

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

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

	2006/07	2005/06
	£	£
National Park Grant	2,879,171	2,810,044
External Grants	773,232	1,292,794
Sales, fees and charges	206,873	198,044
Bank interest	71,432	78,249
	3,930,708	4,379,131

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### 2. Publicity and Advertising

Section 5(1) of the Local Government Act 1986 requires the National Park Authority to declare the amount of money spent on publicity. Publicity and promotions includes leaflets promoting attractions to visit the Park, the visitor newspaper and public relations costs.

	2006/07	2005/06
	£	£
Advertising staff vacancies	7,304	84,315
Other advertising	1,464	1,771
Publicity and promotions	91,383	67,555
	100,151	153,641

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### 3. Employee Remuneration

The number of employees whose remuneration, excluding pension contributions, fell in each £10,000 band over £40,000 was:

	2006/07	2005/06
£40,000 - £49,999	3	4
£50,000 - £59,999	0	0
£60,000 - £69,999	0	0
£70,000 - £79,999	1	0

#### 4. Audit Costs

In 2006/07 Northumberland National Park Authority incurred the following fees relating to external audit:

	2006/07 £	2005/06 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	15,800	18,750
Fees payable to the Audit Commission for the certification of grant claims	3,500	16,000
	19,300	34,750

#### 5. Pensions

The disclosures below relate to the Northumberland County Council Pension Fund (the Fund). Northumberland National Park Authority participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

The latest actuarial valuation of the Northumberland County Council Pension Fund took place on 31st March 2004. The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the Fund for FRS17 purposes were:

	31st March 2007 % p.a.	31st March 2006 % p.a.
Inflation	3.2	3.0
Rate of general long-term increase in salaries	4.7	4.5
Rate of increase to pensions in payment	3.2	3.0
Rate of increase to deferred pensions	3.2	3.0
Discount rate	5.3	4.9

We have been informed that the market value of the assets of the Northumberland County Council Pension Fund at 31st March 2007 was £668.74 million.

	Long term rate of return expected at 31st March 2007	Value at 31st March 2007	Long term rate of return expected at 31st March 2006	Value at 31st March 2006
	% p.a	£m	% p.a	£m
Equities	7.7	445.86	7.3	404.98
Property	6.7	63.55	6.3	54.81
Government bonds	4.7	100.96	4.3	95.51
Corporate bonds	5.3	50.44	4.9	50.00
Other	5.6	7.93	4.6	5.96
Total	6.9	668.74	6.5	611.26

Funding Position:

	31st March 2007	31st March 2006
	£m	£m
Share of assets	4.82	4.14
Estimated funded liabilities	(6.62)	(6.03)
Estimated unfunded liabilities	(0.11)	(0.11)
Deficit	(1.91)	(2.00)

Analysis of amount charged to Net Cost of Services:

	For the year ended 31st March 2007	For the year ended 31st March 2006
	£m	£m
Current service cost	0.31	0.27
Past service costs	0.00	0.00
Curtailments / settlements	0.00	0.00
Total charged to net services cost	0.31	0.27

Analysis of amount credited to other finance income:

	For the year ended 31st March 2007	For the year ended 31st March 2006
	£m	£m
Expected return on pension fund assets	0.28	0.22
Interest on pension scheme liabilities	(0.31)	(0.28)
Net return	(0.03)	(0.06)

Analysis of amount recognised in statement of total movements in reserves:

	For the year ended 31st March 2007	For the year ended 31st March 2006
	£m	£m
Actual return less expected return on pension scheme assets	0.05	0.61
Experience gains and losses on the scheme liabilities	0.00	0.00
Changes in assumptions underlying the present value of the scheme liabilities	0.09	(0.48)
Total actuarial gain / (loss)	0.14	0.13

Analysis of movement in surplus during the year:

	For the year ended 31st March 2007	For the year ended 31st March 2006
	£m	£m
Deficit in scheme at beginning of year	(2.00)	(2.08)
Current service cost	(0.31)	(0.27)
Contributions	0.29	0.28
Past service costs	0.00	0.00
Curtailments / settlements	0.00	0.00
Other finance income	(0.03)	(0.06)
Actuarial gain / (loss)	0.14	0.13
Deficit in scheme at end of year	(1.91)	(2.00)

History of experience gains and losses:

	For the year ended 31st March 2007	For the year ended 31st March 2006
Difference between expected and actual return on scheme assets:		
• amount (£m)	0.05	0.61
• percentage of scheme assets	1.0%	14.7%
Experience gains / (losses) on scheme liabilities		
• amount (£m)	0.00	0.00
• percentage of the present value of the scheme liabilities	0.0%	0.0%
Change in assumptions		
• amount (£m)	0.09	(0.48)
• percentage of the present value of the scheme liabilities	1.3%	-7.8%
Total amount recognised in Statement of Realised Gains and Losses		
• amount (£m)	0.14	0.13
• percentage of the present value of the scheme liabilities	2.1%	2.1%

## 6. Members Allowances

The total of Members allowances paid in the year was £46,367 (2005/06 £44,575).

## 7. Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2006/07 was £47,857 (2005/06 £105,245).

As at the balance sheet date, 31st March 2007, the National Park Authority had a commitment of £108,507 (31st March 2006 £173,642):

	31st March 2007		31st March 2006	
	Land and Buildings	Vehicles	Land and Buildings	Vehicles
	£	£	£	£
Operating leases which expire:				
within one year	0	7,663	0	74,061
in the second to fifth years	0	100,844	0	99,581
	0	108,507	0	173,642

## 8. Related Party Transactions

Transactions with parties related to the Authority during 2006/07 were as follows:

Payments to related parties	Nature of relationship	Payments to related party	Due to related party at 31.3.07.
		£	£
Northumberland County Council	a.	140,300	4,958
Alnwick District Council	a.	5,516	2,174
Tynedale District Council	a.	12,063	0
Berwick District Council	a.	1,028	0
Bellingham Community Trust	b.	4,000	0
KGF Gardening and Countryside Services	c.	300	0
Christopher Shalliker	c.	175	0

Receipts from related parties	Nature of relationship	Receipts from related party	Due from related party at 31.3.07.
		£	£
Northumberland County Council	a.	5,000	6,345
Berwick District Council	a.	60	0

Nature of relationship:

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

Other related party transactions include receipts from the National Park Grant as listed in Note 1 to the Accounts.

All transactions are at arms length.

## 9. Fixed Assets

Movements in fixed assets during the year were as follows:

	Land and Buildings	Equipment	Total
	£	£	£
Cost / valuation as at 1st April 2006	2,988,099	539,880	3,527,979
Acquisitions	5,133	35,892	41,025
Cost / valuation as at 31st March 2007	2,993,232	575,772	3,569,004
Accumulated Depreciation as at 1st April 2006	326,425	226,131	552,556
Provision for the Year	146,290	109,495	255,785
Accumulated Depreciation as at 31st March 2007	472,715	335,626	808,341
Net Book Value as at 31st March 2007	2,520,517	240,146	2,760,663
Net Book Value as at 31st March 2006	2,661,674	313,749	2,975,423

Additions to Fixed Assets have been financed through revenue and useable capital receipts.

Fixed assets were revalued in March 2005.

Fixed assets owned or partially owned by the National Park Authority include the following:

	2006/07	2005/06
Administrative offices	1	1
Visitor centres / tea rooms	3	3
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	5	5
Car parks / toilets	7	7

### 10. Stock

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

	2006/07	2005/06
	£	£
Confectionery	563	758
Books	11,127	13,800
Maps	5,507	4,414
Souvenirs	17,566	19,999
Clothing	4,932	6,483
Total Goods for Resale	39,695	45,454

### 11. Debtors

	2006/07	2005/06
	£	£
Trade debtors	7,485	10,819
Grant claims	178,443	220,108
Taxation	22,001	33,983
Other debtors	39,210	74,249
	247,139	339,159

### 12. Cash at Bank and In Hand

	2006/07	2005/06
	£	£
Overnight Deposit	770,000	1,960,000
Bank accounts	105,818	333,467
Cash in transit	0	160
Petty cash	1,060	848
	876,878	2,294,475

### 13. Creditors

	2006/07	2005/06
	£	£
Trade creditors	0	41,913
Accruals and deferred income	215,363	1,580,536
	215,363	1,622,449

### 14. Deferred Grants

Deferred Grants are capital grants, amortised over the same period of time as the capital assets that they have funded.

**15. Reserves**

	CAPITAL Fixed Asset Restatement Account (note 17) £	Useable Capital Receipts Reserve £	Capital Financing Account £	REVENUE General Fund £	Pensions Reserve £	TOTAL £
Balance as at 1st April 2006	2,726,356	33,247	207,304	1,019,770	(2,000,000)	1,986,677
Net deficit for the year				(155,694)		(155,694)
Financing of capital expenditure		(5,133)	41,025			35,892
Appropriation to revenue account			(252,012)		(50,000)	(302,012)
Pension Fund – actuarial gain					140,000	140,000
Balance as at 31st March 2007	2,726,356	28,114	(3,683)	864,076	(1,910,000)	1,704,863

## 16. Movement on the General Fund Balance for the Year

	2006/07 £	2005/06 £
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:		
Depreciation and Impairment of Fixed Assets	(255,785)	(249,446)
Government Grants Deferred amortisation	3,773	3,773
Net Charges made for retirement benefits in accordance with FRS17	<u>(340,000)</u>	<u>(330,000)</u>
	(592,012)	(575,673)
Amounts not included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year:		
Capital Expenditure charged in-year to the General Fund	35,892	41,886
Employers contributions and benefits payable direct	<u>290,000</u>	<u>280,000</u>
	325,892	321,886
Net additional amount required to be credited to the General Fund balance for the year.	<u>(266,120)</u>	<u>(253,787)</u>

## 17. Fixed Assets Restatement Reserve

This represents the assets transferred from Northumberland County Council on 1st April 1997, plus revaluations of fixed assets in January 2002 and March 2005, less the value of disposals.

## 18. Cash Inflow – Other External Grants (Revenue)

	2006/07 £	2005/06 £
Sustainable Development Fund	200,000	200,000
Implementing Electronic Government	0	100,000
Natural England	54,406	63,952
Lottery / Millennium	198,267	141,197
European funding	153,184	125,709
Single Regeneration Budget	16,494	101,980
Northumberland Strategic Partnership	750	17,300
Planning Delivery Grant	104,154	295,310
ONE North East	35,586	112,022
Local authorities	6,131	22,739
English Heritage	0	4,776
Other grants	16,930	44,000
	<u>785,902</u>	<u>1,228,985</u>

**19. Reconciliation of Surplus for the Year to Net Cash Inflow from Revenue Activities**

		2006/07	2005/06
	£	£	£
(Deficit) / Surplus for the year		(155,694)	(218,999)
Financing of capital expenditure		35,892	41,886
		<u>(119,802)</u>	<u>(177,113)</u>
Items on an accruals basis:			
Increase in stock	5,759		
Increase in debtors	92,020		
Increase in creditors	<u>(1,407,086)</u>	(1,309,307)	1,102,421
Items classified elsewhere in cash-flow statement:			
Interest received		(71,432)	(78,249)
Capital Grants repaid		1,505	
		<u>(1,499,036)</u>	<u>847,059</u>
Net cash (outflow)/ inflow from revenue activities			

**20. Movement of Cash**

	At 1st April 2006	Cash change in year	At 31st March 2007
	£	£	£
Cash at bank and in hand	2,294,475	(1,417,597)	876,878
Bank overdraft	<u>(3,623)</u>	<u>(52,537)</u>	<u>(56,160)</u>
	<u>2,290,852</u>	<u>(1,470,134)</u>	<u>820,718</u>