



Northumberland National Park Authority

Statement of Accounts

**For the year ended
31st March 2018**

CONTENTS	Page
Summary of the 2017/18 Financial Year	3 - 5
Explanatory Foreword	6 - 10
Statement of Responsibilities for the Statement of Accounts	11
Annual Governance Statement	12 - 16
Independent Auditor's Report	17 - 19
Comprehensive Income and Expenditure Statement	20
Movement in Reserves Statement	21
Balance Sheet	22
Cash Flow Statement	23
Statement of Accounting Policies	24 - 29
Notes to the Accounts	30 - 62

Summary of the 2017/18 Financial Year

Overview

In 2017/18 the Authority made significant progress in delivering its future plans with substantial investment in a number of key areas. Expenditure this year continues to be dominated by capital expenditure on The Sill National Landscape Discovery Centre, the largest ever capital investment by the Authority, which was completed during the year. With the significant focus on completing and opening The Sill, it is pleasing to report that the Authority has also continued to invest resources and deliver across a broad programme of work, achieving or partially achieving 93% of the actions set out in our 2017/18 annual work programme. This demonstrates that the Authority has delivered a balanced work programme on areas as diverse as organisational development, statutory planning, land management and conservation, historic environment, tourism and income development.

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

Key Investments and Income

The highlight of the year has clearly been the completion and opening of The Sill National Landscape Discovery Centre at Once Brewed on Hadrian's Wall. The construction of the building was completed in June 2017 and the centre opened to the public on the 29th July 2017. This £15.3m project encompasses the capital construction of a new flagship cultural venue, and an extensive programme of informal events, education programmes and skills training. In 2014/15 the Heritage Lottery Fund awarded a £7,748,000 grant to the project. Prior to the start of this financial year, a total of £7,559,500 of funding had been received by the Authority in respect of the project and a long term loan of £1,208,000 had been drawn down to support the Capital build. In 2017/18: £1,427,000 of Heritage Lottery Funds and a capital contribution of £257,500 from the Youth Hostel Association funds were received. An additional £16,000 of charitable and philanthropic funds was drawn down in the year via the Northumberland National Park Foundation. Fundraising will continue to meet the remaining match funding requirement.

Visitor numbers to The Sill to date have exceeded expectations, the target to the end of March 2018 was 97,000 visitors and we welcomed 110,300 visitors over this period. As the construction of The Sill was completed in the financial year, the Authority was required to have a valuation of the building undertaken for disclosure in the Balance Sheet. The valuation was carried out on a dual valuation approach, using investment value and depreciated replacement cost and the resulting valuation was £8,500,000. Whilst this results in an impairment against the cost of the building of £1,136,200, this is a reflection of the valuation methods that we are required to use for accounting purposes and it does

not impact on the useable reserves of the Authority.

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 for works to be carried out on historic environment projects in the North of the Park.

The Authority has continued to make significant progress with its Organisational Development Plan during the year and has approved a Health at Work strategy, which incorporates a strong commitment to addressing mental health in the workplace. The Time to Change pledge was publically signed in December 2017. A full review of the Management structure was undertaken during the year. The revised structure supports the Authority's new 5 year Business Plan, including its priorities of The Sill, land management and income generation aspirations.

Financial Performance

The financial performance in 2017/18 saw a deficit outturn of £964,000. The National Park Grant received in the year was £2,583,300. Net operating expenditure of £2,757,800 resulted in an operating deficit of £174,500. This deficit, together with Net project expenditure of £734,200 and Net expenditure of £55,300 on The Sill Business Plan reduces the General Fund Balance by £964,000. The planned deficit was £791,500 and included an option to loan short term funds for cashflow purposes, however there was sufficient cash available meaning the loan was not required in the 2017/18 year. This resulted in a higher than planned deficit, however this is temporary in nature as the option to loan rolls forward along with income and fundraising targets to the 2018/19 financial year.

The Authority's long term pension liability increased by £760,000 to £4,160,000 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.

During the year the General Fund and Useable Reserves decreased by £964,000 to £676,300; the reduction reduces earmarked reserves by £308,000 and unallocated reserves by £656,000, giving a balance on unallocated reserves of £460,404.

The unallocated reserves allow the Authority to invest in the 5 year Business Plan and to provide contingency for the non achievement of any of the stretching targets in the Medium Term Budget Plan (2018/19 – 2020/21).

Summary

The Authority has in 2017/18 completed and opened the largest capital project ever undertaken by this Authority. This project has been delivered in line with budget and the visitor numbers to the centre are exceeding targets. The Authority has in parallel resourced a solid level of achievement of its broader work programme, achieving its best ever performance in some areas such as its statutory planning work.

With stable funding from Government, a focus on commercial income generation and fundraising, and the opportunities presented by the operation of The Sill, the Authority is well positioned to take forward the priorities set out within its Business Plan 2017-2021.

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

2017/18 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 £2,583,297, amounted to 47% of its total income and 63% of its total non capital income in 2017/18. The Authority has been informed that National Park Grant will be protected for the next 2 years, including a modest annual inflation increase.

Income for many new projects and services continues to be dependent on gaining external grant aid and other sources of income. Greater management focus continues on improving commercial income generation and philanthropic fund raising as a way of offsetting the impact of cuts in National Park Grant and allowing the Authority to continue to deliver its ambitions. One key action to achieve this, has been to support the establishment of the Northumberland National Park Charitable Foundation, a charitable company limited by guarantee, which 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. £16,500 of funds raised by the Foundation in 2017/18 were paid to the Authority in the Financial Year to support The Sill project and £42,000 was paid to support the excavation of ancient sites in the North of the National Park.

Gross income to support the net Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £1,508,629. This was £434,315 higher than the previous year due to a £157,282 increase in External Grants and a £277,033 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 £274,774 in The Sill funding allocated to revenue. This is due to an increase in the revenue element of the Heritage Lottery Grant awarded as The Sill has become operational.
- A decrease of £92,177 in funding for the Hadrian's Cavalry project as the project comes to an end.
- In 2016/17, £26,890 was received from The Arts Council for The Sill Arts project, this project was completed in the last financial year.
- In both financial years, funds were received from the Northumberland National Park Foundation for revenue projects with £60,000 received in 2016/17 and £42,015 received in 2017/18.
- In 2017/18, £31,238 was received from Defra to fund the Border Uplands project. None was received in 2016/17.

Other income

The increase in Sales, fees and charges income is largely as a result of the new income sources created as a result of The Sill becoming operational. The most significant movements are as follows;

- In 2017/18, income from the retail operation at The Sill was £114,322. Together with a year on year increase from other retail sales of £1,019, the overall increase in retail income is £115,341.
- Income received from the sale of redundant equipment increased by £12,529. This 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 increased by £28,100. This was made up of new rental income at The Sill from the YHA of £33,010 and from The Sill Enterprise Hub of £2,430, offset by a decrease in rental income from existing property of £7,340. The decrease arises as in the current financial year, we did not have 100% occupancy of our Enterprise Hubs or of the Coquetdale building in Rothbury.
- In 2017/18, income of £13,708 was received from the catering franchisee at The Sill.
- Income from shared building costs has increased by £44,921. 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.
- An increase in income from guided walks and events of £19,426 is mainly due to income of £23,392 earned during the year from sales at the Hadrian's Cavalry events.
- Car parking income has increased by £43,861. This is due to receiving £31,153 of new income from The Sill car park and an increase in visitors across the park.
- Income from The Sill activity programme increased by £18,783 as the programme gains momentum, following the opening of The Sill.
- A decrease of £8,000 in Development management fees.

Expenditure in the Comprehensive Income and Expenditure Statement

The gross Cost of Services in the Comprehensive Income and Expenditure Statement increased by £2,421,574 to £6,233,350; this increase was after an adverse year-on-year asset revaluation movement of £1,197,711 and an adverse year-on-year IAS19 pension cost movement of £110,000; excluding both of those adjustments the underlying gross Cost of Services increased by £1,113,863.

The notable reasons for this increase in expenditure are largely as a result of the operational costs of The Sill, and are shown as follows:

Staff Costs

- Employee expenses have increased by £448,748 to £2,670,139. Of this increase, £110,000 relates to an IAS19 pension cost movement and £17,600 relates to a decrease in the accumulated absence accrual. If these movements are disregarded, the increase is £356,348. Included in this increase is a one off cost relating to a strain on the pension fund of £103,260. The remaining increase is £253,088. This is partially due to an increase in the

Employer's pension contribution rate from 15.10% to 17.9%. The cost to the Authority in the year as a result of this increase was £49,000. The scale of the remaining increase is due to the Authority expanding its staff base to ensure that it is fit for purpose to manage and operate The Sill and deliver the priorities identified in the five year Business Plan.

Other costs

Non staff costs have increased year on year by £1,972,826. This is in the main due to an increase in depreciation and impairment costs of £1,552,308. The increase arises as a result of the revaluation of The Sill Building and the first year of depreciation for the building and equipment at The Sill. Other notable movements are as follows;

- An increase of £112,607 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.
- An increase in revenue costs relating to the management of The Sill Project of £30,929 and an increase in costs relating to the Activity programme of £50,501.
- A decrease in costs relating to The Sill Arts council R and D project of £33,542 as this project was completed in 2016/17.
- An increase in the costs of running The Sill which includes operational Costs of £102,207 , the costs of goods sold in the retail operation at The Sill of £74,000 and car parking costs relating to The Sill of £8,600.
- £28,300 was spent restoring the footpath leading from The Sill to Steel Rigg.
- An increase of £28,189 in repairs and maintenance costs. This includes £17,512 relating to the supply of a new fire alarm system.
- An increase in £9,402 in contract cleaning costs as external contractors have been appointed in the year (corresponding savings are realised in the salaries budget).
- An increase in £10,433 in property fees, which includes £3,732 relating to proposed developments at Walltown and £3,250 for valuation fees for The Sill.

Total net operating expenditure for the year was £4,724,721; this was an increase of £1,987,259 on the previous year reflecting the costs relating to impairment and depreciation and the increase in operating costs.

Finance and investment income at £4,220 decreased by £10,020 during the year, this was due to cash funds being utilised as The Sill project was completed together with poor interest rates.

Finance and investment net expenditure at £114,598, increased by £22,348. This was made up of a positive IAS19 pension cost movement of £10,000 and an increase in the loan interest charge of £22,329, together with the negative movement on interest noted above.

Non specific grant income at £3,992,475 was £3,584,063 lower than the previous year due to lower capital grants of £3,627,760 raised for The Sill project together with a modest inflationary increase (1.7%) in National Park Grant.

Capital Expenditure and Assets Revaluations

During the year the Authority had capital expenditure of £1,973,674, full details are provided in note 23 of the accounts (Property Plant and Equipment).

£1,038,442 was spent during the year on the construction of The Sill building and £927,102 on fixtures and fittings at The Sill.

Pensions Reserve

The deficit on the Authority's Pension Reserve was increased by £760,000 to £4,160,000 reflecting the latest actuarial statement as detailed in note 11 (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 decreased by £964,020 to £676,304. The £964,020 movement reflects the Outturn Budget Net Expenditure.

The General Fund balance of £676,304 would reduce to £460,404 if all the Earmarked Reserves totalling £215,900 detailed in note 9 were utilised.

Statement of Responsibilities for the Statement of Accounts

Responsibilities of the National Park Authority

The National Park Authority is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Statement by the Chief Financial Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of Northumberland National Park Authority at the reporting date and its expenditure and income for the year ended 31st March 2018.

..... 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 2018. This needs to be produced alongside the Annual Accounts and be reviewed by the full Authority or a committee of the Authority. To assist this process the Finance and Audit Group (a working group and not a committee) discuss details with the relevant staff prior to consideration by the full Authority.

Scope

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

The Purpose of the Annual Governance Statement

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

The system of internal control has been in place for the year ended 31st March 2018 and up to the date of approval of the annual report and accounts and accords with proper practice.

The Internal Control Environment

Establishing and monitoring the achievement of the Authority's objectives

Medium Term Vision and 5 Year Framework

The Authority has a hierarchy of plans, headed by a statutory National Park Management Plan which sets a framework for its work for the next 20 years, with a planned review after 5 years. The Management Plan was reviewed in 2015/16 and a new Plan was adopted by the Authority 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.

The Business Plan aligns with the 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 to deliver the Business Plan (and by extension the National Park Management Plan). These actions provide 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 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 £15.3m Sill National Landscape Discovery Centre Project is supported by a broad staff team and external specialists, who regularly report to senior management via The Sill Steering Group and the members via The Sill Project Board. The Sill Project Board has delegated authority to take decisions and a full scheme of delegation is in place to provide strong and effective governance of this exceptional project. Delivery of The Sill Activities programme (a key deliverable related to the Heritage Lottery Fund grant aid) is monitored by The Sill Activities Board.

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 highest risks are reported to the Authority. In addition the Authority has separate programmes to address human resources and staff well-being, health and safety, local resilience, business continuity and equality.

During 2017/18 a Strategic Risk Register was not adopted formally by the Authority. However, members were engaged in a strategic risk workshop, training was undertaken and the method of categorising risk was substantially progressed. This was used by Heads of Department to manage risk in year. A Strategic Risk Register covering the next 3 years will be presented to the full Authority in July 2018 for approval.

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.

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

Improvement Planning

The Authority delivers continuing improvement 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 its work. This process provides a programme with a 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.

Regular service reviews are undertaken in relevant areas to ensure, the efficient and effective use of resources and that we have the correct resources to meet the Business Plan objectives and changing priorities. In 2017/18 service reviews were concluded for the structure of the Leadership team and Farming and Rural Enterprise Resources

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. Service Level Agreements for property services, HR advice and support and internal audit provision have all been subject to market testing during 2017/18 and three year contracts have been entered into. Health & Safety and legal services will be market tested in 2018/19.

Salary and associated employment direct costs for non project staff are the most significant resource for the Authority accounting for 76% 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. A wide ranging Organisational Development strategy is in place, including a focus on career development opportunities, as well as a Health at Work strategy. High levels of staff engagement with sickness at 4.2 days (2.2 days short term sickness) per member of staff, well below the public sector average at 8.3 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 extremes in weather. 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.

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. In the current staffing structure, (effective from 1 March 2018), 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 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. These are in draft format at present having being subject to revision following a management restructure in the final quarter of 2017/18. They will be formally approved by the Authority in July 2018.

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. 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 The Sill Project Board and Sill Activities Board.

The Authority receives an annual review of performance and ensures current year's targets are based on previous year's performance. The annual review of performance by the Authority provides a regular check as to how far the annual work programme has contributed to the delivery of the vision as set out in the statutory National Park Management Plan. Performance is publicly reported including through publication of an Annual Report and the Authority's website. Annually, the Authority's performance on some key measures is presented alongside that of the other English National Park Authorities in order to provide benchmarking with similar organisations.

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

Internal Audit reported on the following audit areas in 2017/18:

- Cash Handling: The Sill
- Stock Management
- General Data Protections Regulation (GDPR) Governance

The Head of internal auditor concluded the Authority has an adequate and effective framework for **Risk Management, Governance and Internal Control**. However, their work identified further enhancements to the framework of risk management, governance and internal control to ensure it remains adequate and effective. In detail, as a result of these audits and a follow-up audit of previous recommendations:

- 6 recommendations were categorised as low priority;
- 7 recommendations were categorised as medium priority;
- 0 recommendations were made in the high priority category; and
- 10 uncategorised management actions form the GDPR review.

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

Opinion

We have audited the financial statements of Northumberland National Park Authority for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Comprehensive Income and Expenditure Statement;
- Authority Movement in Reserves Statement;
- Authority Balance Sheet;
- Authority Cash Flow Statement; and
- Related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Northumberland National Park Authority as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's ("C&AG") AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially

misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in August 2017, we are satisfied that, in all significant respects, Northumberland National Park Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 11, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General ("C&AG") in August 2017, as to whether Northumberland National Park Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Northumberland National Park Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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

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

Certificate

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

Use of our report

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

Nicola Wright (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Newcastle upon Tyne
11 July 2018

Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2018

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
				£	£	£
264,763	(36,565)	228,198	Conservation of Natural Environment	291,977	(54,279)	237,698
392,775	(389,763)	3,012	Conservation of Cultural Heritage	401,368	(371,475)	29,893
385,758	(390,330)	(4,572)	Recreation Management and Transport	360,635	(350,795)	9,840
756,785	(104,092)	652,693	Promoting Understanding	2,845,530	(600,242)	2,245,288
326,220	(8,301)	317,919	Rangers, Estates and Volunteers	366,866	(10,491)	356,375
156,121	(33,067)	123,054	Development Control	155,470	(23,982)	131,488
230,169	(42,118)	188,051	Forward Planning and Communities	234,306	(35,485)	198,821
1,299,185	(70,078)	1,229,107	Corporate Management and Administration	1,577,198	(61,880)	1,515,318
3,811,776	(1,074,314)	2,737,462	Cost of Services	6,233,350	(1,508,629)	4,724,721
106,490	(14,240)	92,250	Financing and investment income and expenditure (Note 3)	118,818	(4,220)	114,598
-	(7,576,538)	(7,576,538)	Non specific grant income (Note 4)	-	(3,992,475)	(3,992,475)
		(4,746,826)	(Surplus)/deficit on the Provision of services			846,844
		(15,912)	Revaluation (gain) / loss on Land and Buildings revalued on the 31 st March 2018 (Note 23)			27,428
		310,000	Actuarial losses on Pension Fund assets and liabilities (Note 18)			520,000
		294,088	Other Comprehensive Income and Expenditure			547,428
		(4,452,738)	Total Comprehensive Income and Expenditure			1,394,272

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 2018.

The accounting policies and notes on pages 24 to 62 form an integral part of these financial statements.

..... Chief Financial Officer Date

Movement in Reserves Statement for the Year Ended 31st March 2018

	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
Balance as at 31 March 2016	1,106,474	1,039,400	348,919	2,494,793	1,198,894	3,693,687
Movement in Reserves during 2016/17						
Surplus on the provision of services	4,746,826	-	-	4,746,826	-	4,746,826
Other comprehensive income and expenditure	-	-	-	-	(294,088)	(294,088)
Total comprehensive income and expenditure	4,746,826	-	-	4,746,826	(294,088)	4,452,738
Adjustments between accounting basis and funding basis under regulations (Note 8)	(5,252,376)	-	(348,919)	(5,601,295)	5,601,295	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(505,550)	-	(348,919)	(854,469)	5,307,207	4,452,738
Transfers to/ from Earmarked Reserves (Note 9)	515,500	(515,500)	-	-	-	-
Increase/ (Decrease) in 2016/17	9,950	(515,500)	(348,919)	(854,469)	5,307,207	4,452,738
Balance as at 31 March 2017	1,116,424	523,900	-	1,640,324	6,506,101	8,146,425
Movement in Reserves during 2017/18						
Deficit on the provision of services	(846,844)	-	-	(846,844)	-	(846,844)
Other comprehensive income and expenditure	-	-	-	-	(547,428)	(547,428)
Total comprehensive income and expenditure	(846,844)	-	-	(846,844)	(547,428)	(1,394,272)
Adjustments between accounting basis and funding basis under regulations (Note 8)	(117,176)	-	-	(117,176)	117,176	-
Net (Decrease) before Transfers to Earmarked Reserves	(964,020)	-	-	(964,020)	(430,252)	(1,394,272)
Transfers from Earmarked Reserves (Note 9)	308,000	(308,000)	-	-	-	-
Decrease in 2017/18	(656,020)	(308,000)	-	(964,020)	(430,252)	(1,394,272)
Balance as at 31 March 2018	460,404	215,900	-	676,304	6,075,849	6,752,153

The accounting policies and notes on pages 24 to 62 form an integral part of these financial statements.

Balance Sheet as at 31st March 2018

31 March 2017		Note	31 March 2018
£			£
11,228,981	Property, Plant and Equipment	23	11,520,064
-	Assets Held for Sale	24	4,275
2,725	Intangible Assets	25	-
11,231,706	Long Term Assets		11,524,339
5,630	Inventories	27	24,443
863,314	Short Term Debtors	28	296,350
1,556,106	Cash and Cash Equivalents	29	840,108
2,425,050	Current Assets		1,160,901
(825,225)	Short Term Creditors	30	(516,395)
(37,414)	Short Term Borrowing	32	(38,268)
-	Short Term Provisions	33	(9,000)
(862,639)	Current Liabilities		(563,663)
(1,247,692)	Long Term Loan	32	(1,209,424)
(3,400,000)	Pensions Liability	18	(4,160,000)
(4,647,692)	Long Term Liabilities		(5,369,424)
8,146,425	Net Assets		6,752,153
1,640,324	Usable reserves	10	676,304
6,506,101	Unusable reserves	11	6,075,849
8,146,425	Total Reserves		6,752,153

The above Balance Sheet presents a true and fair financial position of the Authority as at 31st March 2018.

The accounting policies and notes on pages 24 to 62 form an integral part of these financial statements.

..... Chief Financial Officer

..... Date

Cash Flow Statement for the Year Ended 31st March 2018

2016/17		2017/18
£		£
(4,746,826)	Net (Surplus)/deficit on the provision of services	846,844
176,878	Adjustments to net surplus on the provision of services for non-cash movements (Note 12)	(2,496,074)
4,791,446	Adjustments for items included in the net surplus or deficit on the provision of services that are investing activities	1,733,397
221,498	Net cash flows from Operating Activities (Note 13)	84,167
2,056,732	Investing Activities (Note 14)	594,417
(1,185,106)	Financing Activities (Note 15)	37,414
1,093,124	Net Decrease in cash and cash equivalents	715,998
2,649,230	Cash and cash equivalents at the beginning of the reporting period	1,556,106
1,556,106	Cash and cash equivalents at the end of the reporting period (Note 29)	840,108

The accounting policies and notes on pages 24 to 62 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 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, 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 2017/18 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 2018.

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 2018

2016/17				2017/18		
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
201,340	26,858	228,198	Conservation of Natural Environment	202,998	34,700	237,698
(1,388)	4,400	3,012	Conservation of Cultural Heritage	22,393	7,500	29,893
5,347	(9,919)	(4,572)	Recreation Management and Transport	(56,931)	66,771	9,840
6,039,393	(5,386,700)	652,693	Promoting Understanding	2,633,629	(388,341)	2,245,288
293,319	24,600	317,919	Rangers, Estates and Volunteers	315,675	40,700	356,375
105,874	17,180	123,054	Development Control	110,095	21,393	131,488
169,451	18,600	188,051	Forward Planning and Communities	178,421	20,400	198,821
1,176,502	52,605	1,229,107	Corporate Management and Administration	1,435,617	79,701	1,515,318
7,989,838	(5,252,376)	2,737,462	Cost of Services	4,841,897	(117,176)	4,724,721
			Financing and investment income and expenditure (Note 3)	114,598	-	114,598
92,250	-	92,250	Non specific grant income (Note 4)	(3,992,475)	-	(3,992,475)
(7,576,538)	-	(7,576,538)	(Surplus) /Deficit on the Provision of services	964,020	(117,176)	846,844
505,550	(5,252,376)	4,746,826				
2,145,874			Opening balance on the General Fund	1,640,324		
(505,550)			Add Surplus (less Deficit) on the Provision of services	(964,020)		
1,640,324			Closing Balance on the General Fund	676,304		

Note to the Expenditure and Funding Analysis for the Year Ended 31st March 2018 - Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Balance

2017/18	Adjustments for Capital Purposes	Net change for Pension adjustments	Movement in accrual for accumulated absence	Total Adjustments
	£	£	£	£
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 Management and Administration	-	21,600	(1,200)	20,400
	61,201	21,600	(3,100)	79,701
Total (Deficit)	(357,476)	240,000	300	(117,176)

2016/17	Adjustments for Capital Purposes	Net change for Pension adjustments	Movement in accrual for accumulated absence	Total Adjustments
	£	£	£	£
Conservation of the Natural Environment	6,058	19,600	1,200	26,858
Conservation of the Cultural Heritage	-	4,200	200	4,400
Recreation Management and Transport	(21,319)	11,200	200	(9,919)
Promoting Understanding	(5,434,900)	42,000	6,200	(5,386,700)
Rangers, Estates and Volunteers	-	22,400	2,200	24,600
Development Control	2,680	12,600	1,900	17,180
Forward Planning and Communities Management and Administration	-	14,000	4,600	18,600
	37,205	14,000	1,400	52,605
Total (Deficit)	(5,410,276)	140,000	17,900	(5,252,376)

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

The 2017/18 code requires the Authority to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The standards that have been introduced or amended in the 2018/2019 Code are;

IFRS 9 Financial Instruments has an application date of 1 April 2018. This includes changes relating to the classification and measurement of financial assets and liabilities, changes to the model for impairment loss allowances and changes to the provisions on hedge accounting. These changes will not impact on this Authority as it has no investments that will be required to be valued at fair value and does not need to make allowance for any expected losses in relation to debtors or investments.

IFRS 15 Revenue from Contracts with Customers has an application date of 1 April 2018. This Standard has the potential to affect the measurement, recognition and disclosure of contractual Income. The application of this standard is likely to have no material impact on this Authority.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative will require disclosures that Enable users of the financial statements to evaluate changes in liabilities arising from financing Activities.

3. Financing and Investment income and expenditure

2016/17		2017/18
£		£
90,000	Net interest on the net defined liability	80,000
16,490	Interest payable	38,818
(14,240)	Interest receivable	(4,220)
92,250	Total	114,598

4. Non Specific Grant income

2016/17		2017/18
£		£
(2,539,600)	National Park Grant *	(2,583,297)
(5,036,938)	Capital Grants and Contributions	(1,409,178)
(7,576,538)	Total	(3,992,475)

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

5. Cost of Services income

2016/17		2017/18
£		£
(685,904)	External grants	(843,186)
(388,410)	Sales, fees and charges	(665,443)
(1,074,314)	Total	(1,508,629)

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

6. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18, with amounts over £10,000 only shown:

Credited to Taxation and Non Specific Grant Income

2016/17		2017/18
£		£
	<u>For The Sill: National Landscape Discovery Centre</u>	
4,258,509	Heritage Lottery Fund	1,135,366
250,240	Northumberland National Park Foundation	16,395
28,189	Youth Hostel Association	257,417
500,000	Northumberland County Council	-
5,036,938	Total	1,409,178

Credited to Services

2016/17		2017/18
£		£
17,040	Heritage Lottery Fund – The Sill: National Landscape Discovery Centre	291,814
113,745	Natural England – Hadrian’s Wall National Trail	113,644
15,000	Northumberland County Council – Hadrian’s Wall National Trail	20,000
5,000	Cumbria County Council – Hadrian’s Wall National Trail	5,000
308,678	The Arts Council – Hadrian’s Cavalry	266,251
26,890	The Arts Council – Sill Arts Project	-
15,000	Active Northumberland – Hadrian’s Cavalry	10,000
15,715	Natural England – Cheviot Hill tracks	-
28,000	Carlisle City Council – Hadrian’s Cavalry	7,000

Northumberland National Park Authority

20,850	DCLG Self and Custom Build	30,000
14,645	DCLG Brownfields	5,485
50,000	Community Foundation – Simonside footpath	-
23,750	Tullie House – Hadrian’s Cavalry	-
10,000	Northumberland National Park Foundation – Education room for The Sill	-
-	Defra – Border Uplands	31,238
-	Natural England – Facilitation Fund	10,164
-	Northumberland National Park Foundation – Ancient site restoration	42,015
21,591	Other Revenue Grants each under £10,000	10,575
685,904	Total	843,186

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:-

2016/17		2017/18
£		£
1,855	Natural England – Cheviot Hill Tracks	1,855
49,590	Defra – Border Uplands	18,352
10,000	Carlisle City Council – Hadrian’s Cavalry	-
-	Arts Council – Hadrian’s Cavalry	5,100
7,165	Other Revenue Grants each under £10,000	5,786
68,610	Total	31,093

7. 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.

2017/18	Sales, Fees and Charges	Grants	Total Income	Employee Expenses	Depreciation and Impairment costs	Service Expenses	Total Expenditure	Net Expenditure
	£	£	£	£	£	£	£	£
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
Total Surplus	(665,443)	(843,186)	(1,508,629)	2,760,139	1,653,612	1,819,599	6,233,350	4,724,721
2016/17	Sales, Fees and Charges	Grants	Total Income	Employee Expenses	Depreciation and Impairment costs	Service Expenses	Total Expenditure	Net Expenditure
	£	£	£	£	£	£	£	£
Conservation of the Natural Environment	(16,075)	(20,490)	(36,565)	218,700	6,058	40,005	264,763	228,198
Conservation of the Cultural Heritage	(4,335)	(385,428)	(389,763)	44,204	-	348,571	392,775	3,012
Recreation Management and Transport	(202,769)	(187,561)	(390,330)	175,706	12,496	197,556	385,758	(4,572)
Promoting Understanding	(50,162)	(53,930)	(104,092)	465,144	11,289	280,352	756,785	652,693
Rangers, Estates and Volunteers	(8,301)	-	(8,301)	284,065	-	42,155	326,220	317,919
Development Control	(33,067)	-	(33,067)	129,607	2,680	23,834	156,121	123,054
Forward Planning and Communities	(6,623)	(35,495)	(42,118)	155,397	-	74,772	230,169	188,051
Management and Administration	(67,078)	(3,000)	(70,078)	838,568	68,781	391,836	1,299,185	1,229,107
Total Surplus	(388,410)	(685,904)	(1,074,314)	2,311,391	101,304	1,399,081	3,811,776	2,737,462

8. 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.

2017/18	Usable Reserves		
	General Fund Balance (£)	Capital Grants Unapplied (£)	Movement in Unusable Reserves (£)
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation of non-current assets	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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
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
Adjustment primarily involving the Pensions Reserve:			
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
Adjustment primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	300	-	(300)
Total Adjustments	(117,176)	-	117,176

2016/17	Usable Reserves		
	General Fund Balance (£)	Capital Grants Unapplied (£)	Movement in Unusable Reserves (£)
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation of non-current assets	97,973	-	(97,973)
Charges for impairment of non-current assets	(10,340)	-	10,340
Amortisation of intangible assets	13,671	-	(13,671)
Capital grants and contributions applied	(5,036,938)	-	5,036,938
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital Expenditure charged against the General Fund Balance	(451,648)	-	451,648
Minimum Revenue provision for the financing of capital investment	(22,994)	-	22,994
Adjustments primarily involving the Capital Grants Unapplied Account:			
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	(348,919)	348,919
Adjustment primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	480,000	-	(480,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(340,000)	-	340,000
Adjustment primarily involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	17,900	-	(17,900)
Total Adjustments	(5,252,376)	(348,919)	5,601,295

9. Transfers to/ (from) Earmarked Reserves

	Balance at 1 st April 2017	Transfers out 2017/18	Transfers in 2017/18	Balance at 31 st March 2018
<u>2017/18</u>	£	£	£	£
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
Total Earmarked Reserves	523,900	(318,000)	10,000	215,900

Transfer as per Movement in Reserves Statement £308,000

	Balance at 1 st April 2016	Transfers out 2016/17	Transfers in 2016/17	Balance at 31 st March 2017
<u>2016/17</u>	£	£	£	£
IT Capital Replacements	15,000	-	10,000	25,000
Planning Contingency	150,000	(50,000)	-	100,000
Eastburn Boiler Replacement	80,000	(80,000)	-	-
Legacy Donation Fund	48,900	-	-	48,900
Sill Phase 2 Investment	295,500	(295,500)	-	-
Sill Phase 2 Working Balances	450,000	(100,000)	-	350,000
Total Earmarked Reserves	1,039,400	(525,500)	10,000	523,900

Transfer as per Movement in Reserves Statement £515,500

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

IT Capital Replacements

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

Planning Contingency

The earmarked reserve has historically been held to cover the potential future legal costs of challenging or defending major planning decisions. In the future, this will also be used to cover the cost of core assessment of the Local Plan, which statutorily is subject to core examination by the planning inspectorate as reviews are undertaken

Eastburn Boiler

The hot water and central heating boiler at the Eastburn site was reaching the end of its economic life, and in 2015/16 The Authority approved an earmarked reserve of £80,000 to cover the replacement of the boiler and improvements to the heating system in order to reduce operating costs and carbon emissions. The boiler was replaced in December 2016 at a lower cost of £31,576.

Legacy Donation Fund

The Authority has been the recipient of two legacies totalling £72,800, which have been placed in an earmarked reserve by the Authority as it wants to use the amounts received to fund projects that are appropriate to the donor's interests. £23,900 was released in 2015/16, reducing the earmarked balance to £48,900. No amounts were released during 2016/17 or 2017/18. When suitable projects come forward for approval the funds will be released from the earmarked reserve.

Sill Phase 2 Investment

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

Sill Phase 2 Working Balances

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. £100,000 was released to the general fund during 2016/17 and £318,000 was released in 2017/18.

10. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement, Note 8 and the table below.

2016/17		2017/18
£		£
2,494,793	Opening Balance	1,640,324
4,746,826	Surplus / (Deficit) on the Provision of Services	(846,844)
(5,601,295)	Adjustments between accounting and funding basis (Note 8)	(117,176)
1,640,324	Total Usable Reserves	676,304

11. Unusable Reserves

2016/17		2017/18
£		£
883,819	Revaluation Reserve	844,220
9,062,782	Capital Adjustment Account	9,432,429
(3,400,000)	Pensions Reserve	(4,160,000)
(40,500)	Accumulated Absences Account	(40,800)
6,506,101	Total Unusable Reserves	6,075,849

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 decreased by £27,428 to reflect the net valuation loss on assets following the revaluation of Housesteads car park and £12,171 in respect of the difference between fair value depreciation and historical cost depreciation.

2016/17		2017/18
£		£
880,248	Balance at 1 April	883,819
(12,341)	Difference between fair value depreciation and historical cost depreciation	(12,171)
15,912	Upward revaluation of assets	-
-	Downward revaluation of assets	(27,428)
15,912	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	(27,428)
883,819	Balance at 31 March	844,220

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

2016/17		2017/18
£		£
3,291,246	Balance at 1 April	9,062,782
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(97,973)	• Charges for depreciation of non-current assets	(463,516)
10,340	• Net revaluation gains and (charges for impairment) of non-current assets	(1,187,371)
(13,671)	• Amortisation of intangible assets	(2,725)
(101,304)		(1,653,612)
12,341	Adjusting amounts written out of the Revaluation Reserve	12,171
(88,963)	Net written out amount of the cost of non-current assets consumed in the year	(1,641,441)
	Capital financing applied in the year:	
451,648	• Capital Expenditure charged against the General Fund Balance	564,496
5,036,938	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,409,178
348,919	• Application of grants to capital financing from capital grants unapplied	-
22,994	• Statutory provision for the financing of capital investment charged against the General Fund	37,414
5,860,499		2,011,088
9,062,782	Balance at 31 March	9,432,429

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.

2016/17		2017/18
£		£
(2,950,000)	Balance at 1 April	(3,400,000)
(310,000)	Actuarial (losses) on pensions assets and liabilities	(520,000)
(480,000)	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	(730,000)
340,000	Employer's pensions contributions and direct payments to pensioners payable in the year	490,000
(3,400,000)	Balance at 31 March	(4,160,000)

Accumulated Absences Account

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

2016/17		2017/18
£		£
(22,600)	Balance at 1 April	(40,500)
22,600	Cancellation of accrual made at the end of the preceding year	40,500
(40,500)	Amounts accrued at the end of the current year	(40,800)
(17,900)	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)
(40,500)	Balance at 31 March	(40,800)

12. Cash Flow Statement – Non Cash Movements

2016/17		2017/18
£		£
(97,973)	Depreciation Property Plant and Equipment	(463,516)
(13,671)	Amortisation Intangible Assets	(2,725)
10,340	Impairment Property Plant and Equipment	(1,187,371)
(140,000)	IAS19 charges for Retirement Benefits	(240,000)
	<u>Items on an accruals basis:</u>	
691	• Increase in stock	18,813
436,254	• Decrease/ (Increase) in Debtors	(566,965)
(216,189)	• Increase/ (Decrease) in Creditors	299,829
197,426	• Increase/ (Decrease) in Capital Accruals	(354,139)
176,878	Total Non Cash Movements	(2,496,074)

13. Cash Flow Statement – Operating Activities

2016/17		2017/18
£		£
2,107,671	Cash paid to and on behalf of employees	2,448,731
1,676,962	Operating cash payments	1,752,169
(2,539,600)	National Park Grant	(2,583,297)
(699,069)	Other external revenue grants	(889,813)
(325,079)	Other operating cash receipts	(669,571)
(15,877)	Bank interest received	(4,673)
16,490	Loan interest paid	30,621
221,498	Total Cash Flow from Operating Activities	84,167

14. Cash Flow Statement – Investing Activities

2016/17		2017/18
£		£
6,848,179	Cash paid to purchase property, plant and equipment	2,327,813
(4,791,447)	Cash inflow Capital Grants	(1,733,396)
2,056,732	Total Cash Flow from Investing Activities	594,417

15. Cash Flow Statement – Financing Activities

2016/17		2017/18	
£		£	
(1,208,100)	Cash receipts of long-term borrowing		-
22,994	Repayments of long-term borrowing		37,414
(1,185,106)	Net Cash Flows from Financing Activities		37,414

16. 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)	2017/18	87,134	-	15,597	102,731
	2016/17	84,941	-	12,826	97,767
Head of Corporate Services and Monitoring Officer	2017/18	40,773	118,483	6,803	166,059
	2016/17	50,613	-	7,727	58,340
Sill Manager	2017/18	53,518	-	9,580	63,098
	2016/17	51,542	-	7,783	59,325

The Head of Corporate Services and Monitoring Officer left the Authority in January 2018. Included in the Compensation for loss of office figure above is £103,260 relating to the strain on the pension fund to release pension benefit unreduced.

During the year, the Authority undertook a review of the structure of its Leadership Team. As a result of this, a number of Senior Management posts were deleted and two Director Posts were created. As at the Balance Sheet date, one of the two Director positions had been filled.

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	
	2016/17	2017/18	2016/17	2017/18
£0 - £30,000	2	-	£20,523	-
£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.

17. Audit Costs

In 2017/18 Northumberland National Park Authority incurred the following fees relating to external audit:

2016/17		2017/18
£		£
13,041	Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor	11,568
-		-
<u>13,041</u>		<u>11,568</u>

18. 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 st March 2018 % p.a.	31 st March 2017 % p.a.	31 st March 2016 % p.a.
Discount rate	2.6%	2.6%	3.5%
RPI Inflation	3.2%	3.1%	2.9%
CPI Inflation	2.1%	2.0%	1.8%
Pension Increases	2.1%	2.0%	1.8%
Pension accounts revaluation rate	2.1%	2.0%	1.8%
Salary increases	3.6%	3.5%	3.3%

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

Mortality assumption

	31 st March 2018	31 st March 2017
<u>Males</u>		
Member aged 65 at accounting date	22.9	22.8
Member aged 45 at accounting date	25.1	25.0
<u>Females</u>		
Member aged 65 at accounting date	25.0	24.9
Member aged 45 at accounting date	27.3	27.2

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 2018			Value at 31st March 2017	Value at 31st March 2016
	Quoted £m	Unquoted £m	Total £m	Total £m	Total £m
Equities	9.00	0.51	9.51	9.13	7.27
Property	0.55	-	0.55	0.53	0.53
Govt. bonds	2.56	-	2.56	2.38	1.66
Corporate bonds	1.08	-	1.08	1.03	0.95
Cash	-	-	-	-	0.04
Other	-	0.51	0.51	0.52	0.33
Total	13.19	1.02	14.21	13.59	10.78

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 2018 £m	31st March 2017 £m	31st March 2016 £m
Fair value of assets	14.21	13.59	10.78
Present value of funded defined benefit obligation	(18.23)	(16.85)	(13.61)
Present value of unfunded defined benefit obligation	(0.14)	(0.14)	(0.12)
Liability recognised on the Balance Sheet	<u>(4.16)</u>	<u>(3.40)</u>	<u>(2.95)</u>

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

Active members	39%
Deferred Pensioners	25%
Pensioners	36%

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

	For the year ended 31st March 2018 £m	For the year ended 31st March 2017 £m
Operating cost		
Current service cost*	0.55	0.36
Past service cost – incl. Curtailments	0.10	0.03
Financing Cost		
Interest on net defined liability / (asset) – funded pension scheme	0.08	0.09
Interest on net defined liability / (asset) – unfunded pension scheme	-	-
Pension expense recognised in the Surplus or Deficit on the Provision of Services	<u>0.73</u>	<u>0.48</u>

Remeasurements in Other Comprehensive Income

Return on plan assets below that/ (in excess of) recognised in net interest	0.09	(2.23)
Actuarial losses due to changes in financial assumptions – funded pension scheme	0.33	3.45
Actuarial (gains) / losses due to changes in financial assumptions - unfunded pension scheme	0.01	0.02
Actuarial (gains) / losses due to changes in demographic assumptions	-	(0.33)
Actuarial losses / (gains) due to liability experience	0.09	(0.60)

Total Amount recognised in Other Comprehensive Income	<u>0.52</u>	<u>0.31</u>
Total Amount recognised	<u>1.25</u>	<u>0.79</u>

* Allowance for administration expenses included in current service cost (£M) 0.01 0.01

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

	For the year ended 31st March 2018 £m	For the year ended 31st March 2017 £m
Opening defined benefit obligation	16.85	13.61
Current service cost	0.55	0.36
Interest expense on defined benefit obligation	0.44	0.47
Contributions by participants	0.12	0.10
Actuarial losses due to changes in financial assumptions	0.33	3.45
Actuarial (gains) due to changes in demographic assumptions	-	(0.33)
Actuarial losses / (gains) due to liability experience	0.09	(0.60)
Net benefits paid out #	(0.25)	(0.24)
Past service cost (incl. curtailments)	0.10	0.03
Closing present value of liabilities	18.23	16.85

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 2018 £m	For the year ended 31st March 2017 £m
Opening defined benefit obligation	0.14	0.12
Interest expense on defined benefit obligation	-	-
Actuarial losses due to changes in financial assumptions	0.01	0.02
Net benefits paid out	(0.01)	-
Closing present value of liabilities	0.14	0.14

Changes to the fair value of assets during the accounting period

	For the year ended 31st March 2018 £m	For the year ended 31st March 2017 £m
Opening fair value of assets	13.59	10.78
Interest income on assets	0.36	0.38
Remeasurement (losses) / gains on assets	(0.09)	2.23
Contributions by the employer	0.48	0.34
Contributions by participants	0.12	0.10
Net benefits paid out	(0.25)	(0.24)
Closing fair value of assets	14.21	13.59

Actual return on assets

	For the year ended 31st March 2018 £m	For the year ended 31st March 2017 £m
Interest income on assets	0.36	0.38
Remeasurement (losses) / gains on assets	(0.09)	2.23
Actual return on assets	0.27	2.61

The Authority's contributions to the fund for the accounting period ending 31 March 2018 are estimated to be £0.39m. In addition unfunded benefits paid by the Authority directly to beneficiaries were £0.1m in 2016/17 and is expected to be £0.1m for the accounting period ending 31 March 2018.

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 31st March 2018 and the projected service cost for the year ending 31st March 2019 is set out below.

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

and are summarised above.

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

Funded LGPS Benefits

Discount rate assumption

	+0.1% pa	Base Figure	-0.1% pa
Adjustment to discount rate			
Present value of total obligation (£Ms)	17.87	18.23	18.60
% change in present value of total obligation	-2.0%		2.0%
Projected service cost (£Ms)	0.56	0.58	0.60
Approximate % change in projected service cost	-3.0%		3.1%

Rate of general increases in salaries

	+0.1% pa	Base Figure	-0.1% pa
Adjustment to salary increase rate			
Present value of total obligation (£Ms)	18.31	18.23	18.15
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£Ms)	0.58	0.58	0.58
Approximate % change in projected service cost	0.0%		0.0%

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

	+0.1% pa	Base Figure	-0.1% pa
Adjustment to pension increase rate			
Present value of total obligation (£Ms)	18.52	18.23	17.94
% change in present value of total obligation	1.6%		-1.6%
Projected service cost (£Ms)	0.60	0.58	0.56
Approximate % change in projected service cost	3.1%		-3.0%

Post retirement mortality assumption

	- 1 year	Base Figure	+ 1 year
Adjustment to mortality age rating assumption*			
Present value of total obligation (£Ms)	18.78	18.23	17.69
% change in present value of total obligation	3.0%		-3.0%
Projected service cost (£Ms)	0.60	0.58	0.56
Approximate % change in projected service cost	3.7%		-3.6%

* 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.

19. Members Allowances

The total Northumberland National Park Authority Members allowances paid in the year was £38,015 (2016/17 £36,701).

The total Northumberland National Park Authority Members travel and subsistence paid in the year was £6,316 (2016/17 £8,035).

A provision of £9,000 was made during the year in relation to an anticipated claim from HMRC for tax on members' travel expenses.

20. Financial commitments

Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2017/18 was £38,788 (2016/17 £48,259).

As at the balance sheet date, 31st March 2018, the National Park Authority had total future minimum lease payments under non-cancellable leases of £38,188 (31st March 2017 £72,108):

	31st March 2018		31st March 2017	
	Land and Buildings £	Vehicles £	Land and Buildings £	Vehicles £
Operating leases:				
Payments due within one year	-	23,190	-	38,833
Payments due within two and five years	-	14,998	-	33,275
	-	38,188	-	72,108

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.

21. Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of the "National Park Grant" from the Department of the Environment, Food and Rural Affairs (DEFRA). Note 4 sets out the amount of "National Park Grant" received during the year 2017/18.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 19. 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 2017/18. Details are set out in the following table.

Payments to related parties		Payments to related party 2016/17	Due to related party at 31.3.17	Payments to related party 2017/18	Due to related party at 31.3.18
	Nature of relationship	£	£	£	£
Northumberland County Council	a.	86,734	-	78,145	20,640
Bardon Mill & Henshaw Village Hall	b.	-	1,768	1,923	-
Glendale Agricultural Society	b.	12,800	-	-	-
Glendale Gateway Trust	b.	1,875	-	3,744	-
Greenhead Village Hall	b.	-	-	70	-
Harbottle Show	b.	100	-	-	-
Hexham Auction Mart Company Ltd*	b.	150	-	-	-
Kirknewton Village Hall	b.	350	50	90	32
Tynedale Agricultural Society*	b.	1,400	-	-	-
Ingram Parish Council*	b.	500	-	-	-
*No longer registerable interest in 2017/18					

Receipts from related parties		Receipts from related party 2016/17	Due from related party at 31.3.17	Receipts from related party 2017/18	Due from related party at 31.3.18
	Nature of relationship	£	£	£	£
Northumberland County Council (includes grants administered by Northumberland as the accountable body)	a.	536,272	288	23,185	-

Nature of relationship:

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

22. Capital Expenditure and Capital Financing

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

2016/17		2017/18
£		£
100,000	Opening Capital Financing Requirement	1,285,105
	<u>Capital Investment</u>	
11,020	Land and Buildings	1,038,442
31,576	Plant, Furniture and Equipment	935,232
7,003,008	Assets Under Construction	-
7,045,604		1,973,674
	<u>Sources of Finance</u>	
(5,036,938)	Government Grants and other contributions	(1,409,178)
(348,919)	Application of Grants to Capital financing from Capital Grants Unapplied	
(451,648)	Direct Revenue Contributions	(564,496)
(22,994)	Repayment of loan principal	(37,414)
1,285,105	Closing Capital Financing Requirement	1,247,691
	 Explanation of movements in year	
1,285,105	Expenditure financed from new external borrowing (not supported by government financial assistance)	1,247,691
1,185,105	Increase/ (Decrease) in Capital Financing Requirement	(37,414)

23. Property, Plant and Equipment

Movements in Property, Plant and Equipment during 2016/17:

	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Assets Under Construction £	Total £
Cost / valuation as at 1st April 2016	2,567,177	71,178	194,684	1,641,818	4,474,857
Movement in assets under construction	123,203	-	-	(123,203)	-
Additions	11,020	-	31,576	7,003,008	7,045,604
De-recognition & Disposals	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8,541	-	-	-	8,541
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	9,103	-	-	-	9,103
Cost / Valuation as at 31st March 2017	2,719,044	71,178	226,260	8,521,623	11,538,105
Accumulated Depreciation as at 1st April 2016	83,620	2,876	133,263	-	219,759
Depreciation Charge	70,733	718	26,521	-	97,972
De-recognition & Disposals	(3,851)	(3,519)	-	-	(7,370)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(1,162)	(75)	-	-	(1,237)
Accumulated depreciation as at 31 March 2017	149,340	-	159,784	-	309,124
Net Book Value as at 31st March 2016	2,483,557	68,302	61,421	1,641,818	4,255,098
Net Book Value as at 31st March 2017	2,569,704	71,178	66,476	8,521,623	11,228,981

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 31st March 2017	2,719,044	71,178	226,260	8,521,623	11,538,105
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 (decreases) recognised in the Revaluation Reserve	(27,428)	-	-	-	(27,428)
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,139,264)	-	-	-	(1,139,264)
Cost / Valuation as at 31st March 2018	10,869,820	1,498	1,404,089	-	12,275,407
Accumulated depreciation as at 31 March 2017	149,340	-	159,784	-	309,124
Depreciation Charge	308,765	15	154,736	-	463,516
Depreciation written out to the Surplus / Deficit on the Provision of Services	(17,297)	-	-	-	(17,297)
Accumulated depreciation as at 31 March 2018	440,808	15	314,520	-	755,343
Net Book Value as at 31st March 2017	2,569,704	71,178	66,476	8,521,623	11,228,981
Net Book Value as at 31st March 2018	10,429,012	1,483	1,089,569	-	11,520,064

Additions to Property, Plant and Equipment have been financed through revenue, capital grants and loans in 2017/18.

Revaluations were carried out of The Sill building, as at the date it was brought into use and of Housesteads Car Park, following an impairment review. Land at Ridley Stokoe was also revalued following 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 valuation was performed in accordance with the regulations set out by the International Financial Reporting Standards (IFRS) using the valuation methodology applicable to the asset classification. The Authority is not aware of any material change in the value of any other Property, Plant and Equipment as at 31 March 2018.

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

	31/03/2017	31/03/2018
Administrative offices	2	2
Rural Business Enterprise Hub	1	1
Visitor centres / tea rooms	3	4
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	5	5
Car parks / toilets	6	6

Acquisitions

The Sill National Landscape Discovery Centre Building

Practical completion took place in June 2017 with the public opening taking place on 29 July 2017. Building costs of £9,317,468 were brought into additions in the year and £318,748 of land had been capitalised in previous years. A revaluation was carried out at the date that the building was brought into use. This was carried out using a dual valuation method of investment value and depreciated replacement cost. The valuation of £8,500,000, resulted in an impairment of £1,136,216.

The Sill National Landscape Discovery Fixture and Fittings

£1,156,147 of fixtures and fittings relating to the fit out of the Centre have been brought into additions of plant, furniture and equipment.

Other Acquisitions

During the year, £13,551 of expenditure on a car park charging point at Housesteads was moved into additions from 'Assets under construction and a further £8,131 was spent in the year.

Outstanding Capital Commitments

As at the 31st March 2018 the Authority had outstanding capital commitments on the following projects as shown below:

Committed but not yet spent:

The Sill National Landscape Discovery Centre £ 211,425

Approved but not yet committed

The Sill National Landscape Discovery Centre £ 79,993

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 £27.6k for every year that useful lives had to be reduced.

24. Assets held for Sale

	2016/17 £	2017/18 £
Balance outstanding at start of the year	-	-
Assets newly classified as held for sale		
Property, Plant and Equipment	-	69,680
Impairment losses	-	<u>(65,405)</u>
Balance outstanding at 31 March 2018	-	4,275

25. 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 2016/17 and 2017/18 were as follows:

	2016/17 £	2017/18 £
Cost / valuation balance as at 1 st April	35,381	35,381
Assets under construction	-	-
Acquisitions	-	-
Cost / valuation balance at as 31 st March	35,381	35,381
Cumulative Amortisation balance as at 1st April	18,985	32,656
Amortisation for the year	13,671	2,725
Cumulative Amortisation Balance as at 31 March	32,656	35,381
Net Book Value as at 31st March	2,725	-

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

26. Heritage Assets

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

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

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

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

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

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

27. Inventories

The total Northumberland National Park Authority Goods for Resale value at year end was £24,443 (2016/17 £5,630). 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 £1,304 (during 2016/17 £65 written off).

28. Debtors

Analysis of debtors total at year end by organisation type

31.03.17		31.03.18
£		£
162,354	Central Government Bodies	16,902
45,580	Local Authorities	1,429
655,380	Other entities and individuals	278,019
863,314		296,350

29. Cash and cash equivalents

31.03.17		31.03.18
£		£
1,086,396	Bank Deposits	609,104
468,680	Bank Accounts	221,265
-	Cash in transit	8,639
1,030	Petty cash	1,100
1,556,106		840,108

30. Creditors

Analysis of creditors at year end by organisation type

31.03.17		31.03.18
£		£
87,204	Central government bodies	47,417
73,143	Other local authorities	56,246
664,878	Other entities and individuals	412,732
<u>825,225</u>		<u>516,395</u>

31. Financial Instruments

31.1 Financial Assets

Financial assets are assets which have fixed or determinable payments but are not quoted in an active market. At the year end the only financial instruments held by the Authority are Short-Term Receivables totalling £296,350 (2016/17 £863,314).

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.

31.2 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 32.

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 £516,395 (2016/17 £825,225) 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.

31.3 Liquidity Risk

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

31.4 Interest Risk

The Authority is not exposed to any significant risks in terms of interest rate risk. 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.

31.5 Exchange Risk

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

31.6 Credit Risk

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

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

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

In relation to trade debtors at 31st March past due but not impaired, a total of £14,851 was outstanding between 30 and 60 days. All balances past due but not impaired with the exception of £6417 had been collected prior to the accounts being approved for audit in May 2018.

32. Long Term Loans

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

31.03.17	Analysis by Type of Loan	31.03.18
£		£
<u>37,414</u>	Public Works Loan Board	<u>38,268</u>

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

31.03.17	Analysis by Type of Loan	31.03.18	Interest Rate
£		£	
81,354	Public Works Loan Board (10 year loan)	71,787	1.73%
1,166,338	Public Works Loan Board (30 year loan)	1,137,637	2.45%
<u>1,247,692</u>	Total	<u>1,209,424</u>	

31.03.17	Analysis by maturity	31.03.18	Ave. Interest Rate
£		£	%
38,268	Between 1 and 2 years	39,141	2.09
120,127	Between 2 and 5 years	122,872	2.09
208,257	Between 5 and 10 years	202,104	2.09
187,696	Between 10 and 15 years	192,322	2.09
211,998	Between 15 and 20 years	217,224	2.09
239,446	Between 20 and 25 years	245,350	2.09
241,900	Between 25 and 30 years	190,411	2.09
1,247,692	Total	1,209,424	2.09

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

31.03.17	PWLB Fair Value	31.03.18
£		£
1,465,739	Total	1,401,683

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.

33. Provisions

	£
Balance at 1 April 2017	-
Additional provisions made in 2017/18	9,000
Balance at 31 March 2018	9,000

The Authority has made a provision in respect of taxation due on members' travel expenses, following confirmation from HMRC that they will be computing a liability for non-taxation of expenses to Head Office for the years 2012/13 to 2017/18. The provision is calculated by applying an effective percentage of 20% to all members travel expenses on the years in question.

34. 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.