



# Draft Statement of Accounts

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For the year ended  
31<sup>st</sup> March 2022

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## Summary of the 2021/22 Financial Year

### Overview

A key focus early in 2021/22 was the necessary response to the relaxing of Covid restrictions, to enable the safe and effective operation of our buildings and sites, as visitor numbers increased post pandemic.

Against a backdrop of real terms cuts in Defra grant, our ability to generate income continues to be a key factor in enabling The Authority to deliver on its priorities. The income generation budget target for the year was exceeded by 42%. Overall Trading performance outperformed budget expectations in all areas. Car parking benefitted from increased visitors to the open countryside and whilst The Sill and Walltown had less visitors than the target, due to closures at the beginning of the year, the spend per head was significantly higher resulting in the overall gross profit exceeding targets.

The Authority has delivered another significant programme of work against our Business Plan with 100% delivery of our objectives being classed as Good or Acceptable. This performance is on par with pre-pandemic levels. Our externally funded projects continue to be a key delivery mechanism. A grant from the NLHF administered Culture Recovery Fund enabled the organisation to hire additional seasonal staff, support additional volunteers and develop new and improved signage and digital media to improve our welcome for visitors during the Covid recovery period.

Philanthropic funding has been received in respect of the first year of our Hadrian's Wall Recovering Nature project. This has enabled us to implement a nature first led restoration of our landholding at and around Greenlee National Nature Reserve; but also, to develop a landscape scale nature recovery project in conjunction with neighbouring landholdings and key partners. A project vision is now in place for this as a regional and national exemplar of nature recovery and nature led land management.

The Authority has worked actively at a national and regional level to provide input, support, evidence, and influence to a number of policy and programme developments including the Glover Review, Northumberland Local Nature Recovery Pilot, The Great Northumberland Forest, The Borderlands Growth Deal, and the North of Tyne Rural Investment Plan, as well as a host of partnership studies and initiatives. This work is crucial in securing a supportive policy and funding environment for the work of the Authority.

Our ongoing budget has been impacted as a result of our funding settlement for the year 2021/22 being frozen at 2019/20 levels, and the confirmation that this will continue for the three year duration of our current budget plan. This represents a real term cut and puts significant pressure on our budget. A balanced budget was delivered in March 2022 which aims to avoid reducing core resources to react to these budget cuts as this would impact our future opportunities to deliver emerging priorities. A strategy has been put in place to increase net income, as The Authority continues to be ambitious in terms of raising self-generated income and securing external non-government fundraising as we strive to achieve the best outcomes for this National Park. There remain risks within this budget, in particular around the staff pay award. If this is higher than

assumed, we will need to take action within the year. A 2021/22 financial year surplus budget outturn, however, has provided some headroom against this risk and the current high inflation levels in the economy, as £116,900 was returned to the General Reserve in comparison to the amount approved in the 3 year Medium Term Budget Plan, approved March 2022.

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

### **The Sill**

The final year of the National Lottery Heritage Fund phase of The Sill project was completed at the end of the year. The project was scheduled to complete in March 2020 but was extended as a result of the impact of the pandemic. There has been a rebound in visitor figures during the year. The initial target was set with an assumption of a 20% fall from 2019-20 (pre covid) and this has been realistic with 106,517 visitors coming to the site. This remains above the expectation, of 100,000, set when The Sill was in development. Even with the impact of Covid in the last two years, the site has attracted an average of 109,300 visitors per year. External philanthropic income helped us to ensure stability to the delivery of our activities and education programmes. 3,350 participants were planned to take part in our activities in 2021/22 and more than 6,880 were achieved.

### **Climate Action – Peatland Restoration**

The Cheviot Peat project to restore 150ha of damaged peat at the top of Cheviot has been concluded during the year.

### **Traditional Farm Buildings Pilot Scheme**

The Traditional Farm Buildings Pilot Scheme is now entering its final year of delivery after a 5-year programme.

### **Revitalising Redesdale**

This project is also in its final year of delivery with physical works expected to conclude in September and project closure in March 2023.

### **Management Plan Review**

The Management Plan review has progressed at pace during the year and a final draft is in development.

### **Development Management**

The Authority's Development Management Service continues to provide excellent service with 100% of applications being determined within statutory or agreed timescales. Our pre-application service continues to be widely used leading to an approval rating of submitted applications of 97%.

## **Future Land management**

Our work with Defra to progress some of the objectives sought in the Glover Review, has led to the Farming In Protected Landscapes programme which was launched in July 2021. The programme successfully achieved its first-year delivery targets.

## **Financial Performance**

The financial performance in 2021/22 delivered a surplus outturn of £355,000. The National Park Grant received in the year was £2,731,900. Net operating expenditure of £2,518,900 resulted in an operating surplus of £213,000. This surplus, together with net project income of £137,100 and net income of £4,900 on The Sill Business Plan increases the Useable Reserves by £355,000.

The Authority's long term pension liability decreased by £1,320,000 to £6,580,000 following the Scheme's actuary's latest review. This is a long-term funding liability and arises largely due to the assumptions on the discount rate increasing by 0.60%.

The surplus in the financial year, results in the overall Useable Reserves increasing by £355,000 to £1,454,600. After net transfers to the Earmarked Reserves of £247,300, the General Fund has a balance of £468,800 (an increase on the prior year of £116,900) and the Earmarked General Reserve a balance of £985,800 at the year end.

The balance of £468,800 on the General Fund ensures there are sufficient (but not excessive) funds remaining to meet any exceptional cost pressures, to mitigate financial risks and to provide, where possible, future investment funding.

## **Summary**

2021/22 has been a challenging year, continuing to adapt our modes of working and processes, as well as reacting to national restrictions in place at the beginning of the year, Covid regulations and a significant increase in visitors to the Park. As an organisation we were able to react quickly and flexibly to deliver our priorities and ensure support to our staff, volunteers and partners, as well as a sound framework of Governance to the Authority.

Despite all the additional workload, both the pandemic and its recovery brought, we still delivered many of our aims and objectives for the year, effectively managed our financial position, and developed new programmes to deliver on priorities such as climate change and nature recovery.

**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**

### **2021/22 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 £2,731,897, amounted to 52% of its total income in 2021/22.

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 streams and philanthropic fundraising as a way of offsetting the impact of continuing real term cuts in National Park Grant, allowing the Authority to continue to deliver its ambitions. The Authority continues to support the Northumberland National Park 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. £65,000 of funds raised by the Foundation were paid to the Authority in the Financial Year to support The Sill and £30,000 was paid to contribute to the Cheviot Hills Heritage project. A further £100,000 was paid to the Authority by the Foundation to support the Hadrian's Wall Nature Recovery project.

Gross income to support the net Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £2,453,717. This was £1,226,481 higher than the previous year due to an £837,866 increase in External Grants, and a £388,615 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 as follows.

- £130,400 was received in the year from the National Lottery Heritage fund in respect of the Culture Recovery Fund.
- An increase of £12,100 in The Sill funding from the National Lottery Heritage Fund as expenditure was delayed in the previous year, as a result of the Coronavirus pandemic. The project is now complete, and the final claim has been submitted.

- An increase of £19,636 grant income from Natural England in relation to the Hadrian's Wall National Trail as some works scheduled for the previous year were delayed.
- £361,490 has been received in the year from Defra for the Farming in Protected Landscapes scheme.
- £52,910 has been received in the year from Defra, in relation to Countryside Stewardship agreements on land at Greenlee.
- £10,047 has been received in the year from Defra to prepare for Biodiversity net gain legislation.
- £15,129 has been received in the year from North Yorkshire Moors National Park Authority for the Kickstart programme.
- An increase of £17,521 in grant income from Natural England in relation to the Facilitation Fund. An extension to this project was agreed for this Financial Year.
- £223,718 has been received in the year from Natural England in relation to the Revitalising Redesdale Project compared to £85,045 in 2020/21. The Authority is a core partner in this NLHF funded project which is profiled to run over 5 years.
- £24,000 has been received in the year from Natural England for water quality monitoring at Greenlee.
- £30,000 has been received in the year from Northumberland National Park Foundation for the Cheviot Hills Heritage project, and £64,080 from the Foundation has been recognised for the Hadrian's Wall Nature Recovery project.
- £55,000 in Covid Support Grants from Northumberland County Council were received in the year, compared to £41,250 in 2020/21.
- A decrease of £94,905 in Coronavirus Job retention scheme grants as the Authority made it's last claim under this scheme in April 2022.
- £38,858 was received in the year from the South Downs National Park Authority for the Generation Green project.

### **Other income**

The most significant movements are as follows:

- Income from the retail operation at The Sill and Walltown increased by £151,097 as both sites were closed or partially closed during lockdown in the previous year and post covid recovery has been ahead of target.
- Activity sponsorship and grant income of £81,000 has been received in the year (none was received in 2020/21). This includes £54,000 in sponsorship towards The Sill Activities from the Northumberland National Park Foundation, and £20,000 from the Reece Foundation to sponsor The Stem festival held at The Sill.
- Shared Building Cost income has increased by £14,322. This relates to utilities and maintenance costs recharged to tenants and follows a decrease in the previous year as lower costs were incurred as buildings were closed for part of that year.



- Car parking income has increased by £104,567 as a result of car park closures and lock downs throughout the previous Financial Year and higher visitor numbers along Hadrian's Wall following the easing of restrictions.
- Income from external services provided by Authority staff decreased by £159,554. In the previous year, the Authority had recovered staff costs in a number of areas, including the ELMS Test and Trials contract, the secondment of two Officers to partner organisations and the hosting of the Hinterlands placement. In this financial year, funds were recovered from work carried out on peatland restoration, and from surveys and management plan services.
- Development Management fees of £35,046 were received in the year. This is compared to fees of £23,546 received in the previous year, an increase of £11,500.
- Café income has increased by £150,187, to £230,333. The Café started trading part way through the previous financial year and had periods of being closed or offering a restricted service, throughout the year. During the current financial year, the café was impacted by closure and table number restrictions in the early months.

### **Expenditure in the Comprehensive Income and Expenditure Statement**

The gross Cost of Services in the Comprehensive Income and Expenditure Statement increased by £1,342,576 to £5,943,426; this increase was after a negative year-on-year asset revaluation movement of £62,630 and a negative year-on-year IAS19 pension cost movement of £380,000; excluding both of those adjustments the underlying gross Cost of Services increased by £899,946.

The notable reasons for this increase in expenditure are largely due to the timing and nature of projects undertaken and the increase in trading costs, in line with increased sales.

### **Staff Costs**

Employee expenses have increased by £573,691 to £3,388,062. This increase includes a £380,000 increase relating to an IAS19 pension cost movement and includes £1,600 relating to an increase in the accumulated absence accrual. If these movements are disregarded, there is a year on year increase of £192,091. Salary, NI and pension payments have increased year on year by £149,922, as project funded positions have been filled, including externally funded posts in relation to the Farming in Protected Landscapes grant programme, Generation Green, Culture Recovery Fund and Hadrian's Wall Recovering Nature projects.

Staff related costs, including training and travel have increased by £42,170, due to less staff working at home than in the previous year and the training programme running without the disruptions caused by the Covid restrictions in the prior year.

### **Other costs**

Non staff costs have increased year on year by £768,885. Notable movements are as follows;

- A decrease in depreciation of £39,177 as a number of fixtures became fully depreciated in the year.
- A net increase in the impact of impairment of properties of £62,630 as a gain for this amount was realised in 2020/21 and no gains are recognised in 2021/22.

- An increase in repair costs of £20,800 as the buildings reopened for the whole financial year.
- An increase in rates payable of £26,807. A rebate of £37,000 was included in the prior year figure because of the rateable value of some of our car parks being re-assessed.
- An increase of £23,908 in contract cleaning costs as fewer cleans were carried out in the prior year due to closures of visitor centres and offices. This is offset by a decrease in direct costs spent on the Coronavirus pandemic of £16,202.
- An increase in expenditure on IT and IT maintenance of £32,076, we invested in video conferencing kit at our 3 main sites to enable blended virtual and in person meetings and as per the market trend, we have moved some of our IT programmes to monthly subscription models rather than one off license charges i.e. Microsoft 365.
- An increase in external audit fees of £19,722. The Authority's auditors, agreed with PSAA, a scale fee charge for the 2019/20 audit of £11,772 and this has been expended in the 2021/22 financial year. An accrual of £10,000 has been made to allow for the agreement of a scale charge for the 2020/21 Financial Year.
- An increase in Conservation costs of £22,935 as works on the restoration of Peatland at Lilburn Estate have been carried out in the year.
- An increase of costs on Greenlee infrastructure works of £35,138. This project started at the end of the previous financial year.
- A decrease in the delivery costs of the Test and Trials project of £74,961 as this project was completed in 2020/21.
- An increase in Archaeology costs of £35,954 as scheduled works on the Lost Redesdale project and the Battle of Otterburn project have been carried out in the year.
- An increase in signage and interpretation costs of £48,393. This relates to expenditure funded by the National Lottery Heritage Fund's, Culture Recovery Fund.
- An increase in costs relating to purchases for The Sill retail operation of £82,963, and for The Sill Café of £33,109, in line with increased sales.
- A reduction in Forum and Group running costs of £30,450. In 2020/21, these costs included £36,000 relating to the Test and Trials project which completed in that year.
- Costs of £22,893 were incurred during 2020/21 on the public examination / enquiry.
- £268,476 of Direct Grant Payments were made under the Farming in Protected Landscapes (FIPL) grant programme in 2021/22. The programme was not in place in 2020/21.
- An increase in Research costs of £27,813, which is largely due to research undertaken for the Hadrian's Wall Recovering Nature project.
- An increase in professional fees expended on the Revitalising Redesdale projects of £85,846.

Total net operating expenditure for the year was £3,489,709; this was an increase of £116,095 on the previous year.

Finance and investment net expenditure at £185,809, increased by £30,067. This was made up of a IAS19 pension cost movement of £30,000, and a decrease in the loan interest charge of £1,017. Interest received during the year decreased by £1,084.

Non specific grant income at £2,781,847 was £108,920 higher than the previous year. The National Park Grant remained at £2,672,927 as no inflationary rise was granted, but a supplementary National Park grant of £58,970 was awarded to support work to rectify damage caused by Storm Arwen. Capital Grants of £49,950 were received in the year for The Sill Play Area.

### **Capital Expenditure**

During the year, £49,950 was spent on The Sill Play area and £46,130 was spent on a new server at Eastburn.

### **Pension Reserve**

The deficit on the Authority's Pension Reserve was decreased by £1,320,000 to £6,580,000 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 increased by £354,981 to £1,454,599. This increase is temporary with £466,600 of budget carry forwards or transfers to earmarked reserves proposed for agreement by the Authority in July 2022, the majority of which relates to multi-year projects.

The Usable reserves of £1,454,599 would reduce to £468,799 if all the Earmarked Reserves totalling £985,800 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 31<sup>st</sup> March 2022.

.......... 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 2022. This needs to be produced alongside the Annual Accounts and be reviewed by the full Authority or a committee of the Authority. To assist this process the Authority's Finance and Audit Group (a working group and not a committee) review the Annual Governance Statement prior to consideration by the Board of the Authority.

### Scope

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

### The Purpose of the Annual Governance Statement

The system of internal control is designed to identify and manage risk, and to do so 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 and effectively. Risk is managed within the framework and risk appetite set by the Board of the Authority.

The system of internal control has been in place for the year ended 31st March 2022 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 Business Plan**

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

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).

Work began on the revision of the National Park Management Plan during the financial year 2020/21. The revised plan will be presented to the Authority for approval during 2022 following extensive partner input and public engagement.

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

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

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

In January 2020, following a mid-point review of progress with the Business Plan, the Board of the Authority reviewed the Business Plan and confirmed its current priorities as relevant for the remainder of the plan period. Key focus was then put on three aims: Integrating The Sill National Landscape Discovery Centre into the core work of the Authority, Climate Change, and Nature Recovery.

Due to the impact of the coronavirus on the Authority's work, the Board agreed to extend the Business Plan for a further year to March 2022.

Following approval of the revised Management Plan the Authority will develop a new Business Plan. As we are currently in a period where the current Business Plan is coming to an end, it has been necessary to develop a temporary Bridging Operational Plan (see below).

This Plan will begin the journey of taking the Authority from the delivery of the current Business Plan to delivery of a new Business Plan which will be informed by the revised Management Plan. It is anticipated that a new Five-year Business Plan will be in place ahead of the financial year 2023/24.

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

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

A Bridging Operational Plan will provide the framework for the Authority work for 2022/23.

### ***Governance, policy and decision making***

All internal policy is made by the Board of the Authority. 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 Board of the Authority. All the members of the Authority are therefore able to take part in debating and approving policy. All key policy decisions are recorded in official and publicly available minutes.

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

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

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

The Authority manages risk through its **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 Board. Strategic risks are reviewed regularly, initially by the executive Leadership Team, next by Finance and Audit group and then considered and agreed by the Board of the Authority and resulting actions are incorporated, via the Operational Plan, into work programmes. The management of the strategic risks are reported to the Leadership Team, Finance and Audit group and Board of the Authority on a quarterly basis.

Internal audit is focussed on corporate risk and systems of control. This is high level audit and 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 Board of the Authority with advice from the Finance and Audit Group.

### **New Project and Programme Development**

All new initiatives, which are outside of the annual Operational Plan, are subject to a Project Initiation process which is reviewed 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 and other resource impacts on the Authority.

More significant initiatives beyond the financial delegation of the executive are formally approved by the full Authority board.

### **Health and Safety**

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 reported to the Authority. The facilitation and enabling of effective health and safety is led by a Director and supported by an employee Health and Safety Working Group with external expert advice.

### **Business Continuity**

A Business Continuity Plan is in place to ensure the effective operation of critical Authority business in the case of an emergency or incident that has the potential to disrupt the Authority's work or put at risk its staff, members, volunteers, tenants or the public.

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

**Improvement Planning**

The Authority delivers continuing improvement through its performance management system, ongoing review of project and programme delivery and through a series of KPIs which cover a broad spectrum of the Authority's activities. In addition, the Authority's Review Panel acts as an internal scrutiny and improvement panel looking at a rolling programme of reviews of key areas of the Authority's work as identified by members of the Authority Board. The Review Panel routinely uses independent members and expertise to bring fresh perspective on the delivery and improvement of the Authority's work. This process provides a high level of internal support and challenge as part of the Authority's overall assurance framework. This is aligned with the Strategic Risk Register, however, aims to deliver recommendations for continued improvement of the Authority's work, rather than simply managing risk.

Regular service reviews are undertaken by the Leadership Team, to ensure the efficient and effective use of resources and ensure we have the correct resources to meet the Business Plan objectives and changing priorities.

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

**Efficiency**

The Authority regularly market-tests many of its procured services. The Authority's purchasing strategy is being used to drive improved services where the essential criterion is based on gaining best value and not just lowest cost service provision.

After a period of cuts to our government grant in aid, the Authority re-introduced efficiency saving targets in the Medium-Term Budget Plan in 2018/19 for the first time in a number of years. The target of £90,000 of ongoing efficiency savings were fully embedded into the budget during the 2020/21 financial year. This, coupled with our drive to add value to the core grant through our commercial income generation plan, fundraising and joint sponsorship work as a member of the National Parks Partnerships Ltd, aims to ensure we can deliver a wide and varied work programme.

Salary and associated employment direct costs for non-project staff are the most significant resource for the Authority, equivalent to 86% of National Park Grant.

The Authority continually develops its staff and undertakes regular surveys. Latest results show high levels of staff satisfaction and engagement, with the Authority benchmarking in the top percentile for the areas of manager support and peer support.

Having successfully delivered the 2016-2019 Organisational Development Strategy, focus shifted to the 2019 – 2022 strategy. This is now 84% complete or underway, including new objectives, which were added in light of learning from the pandemic, such as the introduction of a blended working model. The next strategy is already being prepared (subject to approval 2022/23). It will focus on career pathways, a cohesive culture and wellbeing.

In 2021/22, the Authority continues to have excellent levels of staff engagement with sickness at 2.02 days (excluding COVID, this falls to 1.34) per member of staff, well below the public sector



average at 7 days. There were no instances of long term sickness (any period exceeding 3 weeks).

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

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

### **Financial management**

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

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

Responsibility for each of the budget heads and projects is given to the Directors, Heads of Department, line managers and other staff. All financial areas are audited through a prioritised plan. Annual trading accounts are produced and used to scrutinise and challenge the effective performance of commercially important operations including: The Sill National Landscape Discovery Centre; Walltown Visitor 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 Board of the Authority. External auditors are invited to observe these meetings and are regular attendees. The Board of 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 Board of 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.

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

Over the past year the Authority's performance management system has been re-aligned with the **State of the Park Monitoring Report** which provides high level outcome measures to further inform progress on the overall 'health' of the National Park and reflects how the work of the Authority and its partners is impacting on in the economic, social and environmental performance of Northumberland National Park over the medium term (3-5 years).

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

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

During the year the Leadership Team consider the findings of each internal audit report, agree a management response to recommendations. 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 Board of the Authority annually.

### ***Internal Control***

The Head of Internal Audit's Opinion on the overall adequacy and effectiveness of the Authority's governance, risk and control framework during 2021/22 was that there has been an adequate and effective system of control in place.

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

- Risk Management
- Nature Recovery
- Payroll

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

- 0 recommendations were categorised as low priority;
- 4 recommendations were categorised as medium priority; and
- 0 recommendation was categorised as high priority.

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

..... Chief Executive

..... Chairman

## **Independent Auditor's report to the members of Northumberland National Park Authority**

Statement to be inserted in final accounts on completion of the audit.

**Statement to be inserted in final accounts on completion of the audit.**

**Statement to be inserted in final accounts on completion of the audit.**

**Statement to be inserted in final accounts on completion of the audit.**

**Statement to be inserted in final accounts on completion of the audit.**



## Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2022

	2020/21			2021/22		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	£	£	£	£	£	£
Conservation of Natural Environment	476,173	(259,691)	216,482	841,702	(629,152)	212,550
Conservation of Cultural Heritage	179,083	(58,712)	120,371	294,408	(169,246)	125,162
Recreation Management and Transport	248,830	(289,478)	(40,648)	518,885	(538,626)	(19,741)
Promoting Understanding	1,625,387	(501,937)	1,123,450	2,104,233	(963,423)	1,140,810
Rangers, Estates and Volunteers	420,275	(10,658)	409,617	469,108	(6,194)	462,914
Development Control	196,059	(33,154)	162,905	230,983	(50,873)	180,110
Forward Planning and Communities	144,229	(446)	143,783	94,413	-	94,413
Corporate Management and Administration	1,310,814	(73,160)	1,237,654	1,389,694	(96,203)	1,293,491
<b>Cost of Services</b>	<b>4,600,850</b>	<b>(1,227,236)</b>	<b>3,373,614</b>	<b>5,943,426</b>	<b>(2,453,717)</b>	<b>3,489,709</b>
Financing and investment income and expenditure (Note 3)	157,821	(2,078)	155,743	186,803	(994)	185,809
Non-specific grant income (Note 4)	-	(2,672,927)	(2,672,927)		(2,781,847)	(2,781,847)
<b>Deficit on the Provision of services</b>			<b>856,430</b>			<b>893,671</b>
Revaluation loss/ (gain) on Land and Buildings revalued on the 31 <sup>st</sup> March 2022 (Note 23)			(966,857)			(438,917)
Actuarial (gains) / losses on Pension Fund assets and liabilities (Note 18)			1,450,000			(2,140,000)
<b>Other Comprehensive (Income) and Expenditure</b>			<b>483,143</b>			<b>(2,578,917)</b>
<b>Total Comprehensive (Income) and Expenditure</b>			<b>1,339,573</b>			<b>(1,685,246)</b>

The above Comprehensive Income and Expenditure Account shows a true and fair view of the income and expenditure of the Authority for the year ended 31st March 2022.

The accounting policies and notes on pages 29 to 68 form an integral part of these financial statements.

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

## Movement in Reserves Statement for the Year Ended 31st March 2022

	General Fund Balance £	Earmarked General Fund Reserves £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
<b>Balance as at 31 March 2020</b>	<b>374,853</b>	<b>670,600</b>	<b>1,045,453</b>	<b>4,329,247</b>	<b>5,374,700</b>
<b>Movement in Reserves during 2020/21</b>					
Deficit on the provision of services	(856,430)	-	(856,430)	-	(856,430)
Other comprehensive income and expenditure	-	-	-	(483,143)	(483,143)
<b>Total comprehensive income and expenditure</b>	<b>(856,430)</b>	<b>-</b>	<b>(856,430)</b>	<b>(483,143)</b>	<b>(1,339,573)</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	910,595	-	910,595	(910,595)	-
<b>Net Increase before Transfers to Earmarked Reserves</b>	<b>54,165</b>	<b>-</b>	<b>54,165</b>	<b>(1,393,738)</b>	<b>(1,339,573)</b>
Transfers to Earmarked Reserves (Note 9)	(67,900)	67,900	-	-	-
<b>(Decrease)/ Increase in 2020/21</b>	<b>(13,735)</b>	<b>67,900</b>	<b>54,165</b>	<b>(1,393,738)</b>	<b>(1,339,573)</b>
<b>Balance as at 31 March 2021</b>	<b>361,118</b>	<b>738,500</b>	<b>1,099,618</b>	<b>2,935,509</b>	<b>4,035,127</b>
<b>Movement in Reserves during 2021/22</b>					
Deficit on the provision of services	(893,671)	-	(893,671)	-	(893,671)
Other comprehensive income and expenditure	-	-	-	2,578,917	2,578,917
<b>Total comprehensive income and expenditure</b>	<b>(893,671)</b>	<b>-</b>	<b>(893,671)</b>	<b>2,578,917</b>	<b>1,685,246</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	1,248,652	-	1,248,652	(1,248,652)	-
<b>Net Increase before Transfers to Earmarked Reserves</b>	<b>354,981</b>	<b>-</b>	<b>354,981</b>	<b>1,330,265</b>	<b>1,685,246</b>
Transfers to Earmarked Reserves (Note 9)	(247,300)	247,300	-	-	-
<b>(Decrease)/ Increase in 2021/22</b>	<b>107,681</b>	<b>247,300</b>	<b>354,981</b>	<b>1,330,265</b>	<b>1,685,246</b>
<b>Balance as at 31 March 2022</b>	<b>468,799</b>	<b>985,800</b>	<b>1,454,599</b>	<b>4,265,774</b>	<b>5,720,373</b>

The accounting policies and notes on pages 29 to 68 form an integral part of these financial statements.

**Balance Sheet as at 31st March 2022**

		31 March 2021	31 March 2022
	Note	£	£
Property, Plant and Equipment	23	12,015,156	11,983,171
Assets Held for Sale	24	–	–
Intangible Assets	25	–	–
<b>Long Term Assets</b>		<b>12,015,156</b>	<b>11,983,171</b>
Inventories	27	37,073	40,182
Short Term Debtors	28	296,794	481,098
Cash and Cash Equivalents	29	1,193,177	1,566,300
<b>Current Assets</b>		<b>1,527,044</b>	<b>2,087,580</b>
Short Term Creditors	30	(476,826)	(681,081)
Short Term Borrowing	32	(40,950)	(41,886)
<b>Current Liabilities</b>		<b>(517,776)</b>	<b>(722,967)</b>
Long Term Loan	32	(1,089,297)	(1,047,411)
Pensions Liability	18	(7,900,000)	(6,580,000)
<b>Long Term Liabilities</b>		<b>(8,989,297)</b>	<b>(7,627,411)</b>
<b>Net Assets</b>		<b>4,035,127</b>	<b>5,720,373</b>
Usable reserves	10	1,099,618	1,454,599
Unusable reserves	11	2,935,509	4,265,774
<b>Total Reserves</b>		<b>4,035,127</b>	<b>5,720,373</b>

The above Balance Sheet presents a true and fair financial position of the Authority as at 31st March 2022.

The accounting policies and notes on pages 29 to 68 form an integral part of these financial statements.

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

..... 20/07/2022 ..... Date

## Cash Flow Statement for the Year Ended 31st March 2022

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
Net deficit on the provision of services	856,430	893,671
Adjustments to net surplus on the provision of services for non-cash movements (Note 12)	(1,621,664)	(1,357,694)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing activities	78,807	–
<b>Net cash flows from Operating Activities (Note 13)</b>	<b>(686,427)</b>	<b>(464,023)</b>
Investing Activities (Note 14)	(41,753)	49,950
Financing Activities (Note 15)	40,035	40,950
<b>Net (Increase)/Decrease in cash and cash equivalents</b>	<b>(688,145)</b>	<b>(373,123)</b>
Cash and cash equivalents at the beginning of the reporting period	505,032	1,193,177
<b>Cash and cash equivalents at the end of the reporting period (Note 29)</b>	<b>1,193,177</b>	<b>1,566,300</b>

The accounting policies and notes on pages 29 to 68 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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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 2021/22 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 2022.

## **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 Tyne and Wear Pension Fund, administered by South Tyneside Council, which provides 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.

## Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Authority accounts are produced under the Code and assume that services will continue to operate for the foreseeable future.

The main source of funding for the Authority, continues to be the Defra Grant, which at £2,672,900, represents 52% of total budgeted income in 2022/23. Other funding sources include external funding for projects and income generation; including from rental income, carparking income, staff service income and income generated from our visitor centres and activity programmes.

In preparing its medium-term budget, the Authority has increased its self-generated income targets by £354,200 over the three year term of the budget, to enable the Authority to maintain its operational capacity and be less reliant on core government funding and to balance the impact of a 3-year flat cash settlement.

These targets have been carefully considered and are deemed achievable; there are a number of additional income streams, which, while likely to be realised, were not considered certain enough to include as a budget assumption at this stage. Assumptions around visitor numbers and spend per head, which drive a number of our income streams have been kept at a prudent level in the first year of the budget, despite both of these numbers having increased during the recovery from the Covid 19 pandemic.

A key risk to the Authority's finance is the impact of inflationary increases on our costs in excess of the assumptions made in our budget. The impact of higher staff pay awards than has been anticipated is particularly significant as direct staff costs make up 69% of our core operating costs in next years budget.

To gain assurance over going concern we considered the cash reserves of the Authority for 12 months after the publishing of this Statement of Accounts. Our forecast cash balance in September 2023, based on our agreed budgets, is £1,128,000. We considered the biggest risk to the Authority's finance which is a higher than anticipated inflationary rise in staff costs and modelled the impact of an increase of 12.1% (based on May 2022 RPI) on all staff costs, in 2022/23 and an increase of 6.05% in 2023/24 . Without taking any mitigating actions the cash balance in September 2023 would be £649,900. This scenario is based on an extreme situation and if a pay award of this magnitude was granted in 2022/23, the Authority would have to take mitigating action to ensure the sustainability of its finances over the medium term. This does demonstrate, however, that we meet the going concern requirements

Our reserves policy aims to deliver a minimum general reserve of £350,000. Given there is little scope in the current balance of general reserves the financial strategy will be to balance the Medium Term Budget Plan over the term of the Plan. Any challenges faced in the setting Budget Plan will require mitigation by taking measures to either increase income generation across a number of sources, including fundraising, or reducing costs during the period.

Management are not aware of any significant information beyond the period considered in our review, that would impact the assessment, or that it considers that the Auditor needs to be aware of in respect of the going concern basis.

## Notes to the Accounts

### 1. Expenditure and Funding Analysis for the Year Ended 31st March 2022

	2020/21	2021/22		2020/21	2021/22	
	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
Conservation of Natural Environment	162,481	54,000	216,481	119,750	92,800	212,550
Conservation of Cultural Heritage	91,971	28,400	120,371	66,561	58,601	125,162
Recreation Management and Transport	(29,315)	(11,333)	(40,648)	(89,286)	69,545	(19,741)
Promoting Understanding	464,078	659,372	1,123,450	453,246	687,564	1,140,810
Rangers, Estates and Volunteers	340,217	69,401	409,618	333,714	129,200	462,914
Development Control	129,304	33,600	162,904	115,310	64,800	180,110
Forward Planning and Communities	126,283	17,500	143,783	68,413	26,000	94,413
Corporate Management and Administration	1,178,000	59,655	1,237,655	1,173,349	120,142	1,293,491
<b>Cost of Services</b>	<b>2,463,019</b>	<b>910,595</b>	<b>3,373,614</b>	<b>2,241,057</b>	<b>1,248,652</b>	<b>3,489,709</b>
Financing and investment income and expenditure (Note 3)	155,743	-	155,743	185,809	-	185,809
Non-specific grant income (Note 4)	(2,672,927)	-	(2,672,927)	(2,781,847)	-	(2,781,847)
<b>Deficit on the Provision of services</b>	<b>(54,165)</b>	<b>910,595</b>	<b>856,430</b>	<b>(354,981)</b>	<b>1,248,652</b>	<b>893,671</b>
Opening balance on the General Fund	1,045,453	-	-	1,099,618	-	-
Add Surplus (less Deficit) on the Provision of services	54,165	-	-	354,981	-	-
<b>Closing Balance on the General Fund</b>	<b>1,099,618</b>	<b>-</b>	<b>-</b>	<b>1,454,599</b>	<b>-</b>	<b>-</b>

## Note to the Expenditure and Funding Analysis for the Year Ended 31st March 2022 -

## Adjustments to the General Fund to arrive at the Comprehensive Income and Expenditure Balance

<b>2021/22</b>	<b>Adjustments for Capital Purposes £</b>	<b>Net change for Pension adjustments £</b>	<b>Movement in accrual for accumulated absence £</b>	<b>Total Adjustments £</b>
Conservation of the Natural Environment	-	90,200	2,600	92,800
Conservation of the Cultural Heritage	-	57,400	1,200	58,600
Recreation Management and Transport	4,045	65,600	(100)	69,545
Promoting Understanding	376,165	311,600	(200)	687,565
Rangers, Estates and Volunteers	-	131,200	(2,000)	129,200
Development Control	-	65,600	(800)	64,800
Forward Planning and Communities Management and Administration	- 49,742	24,600 73,800	1,400 (3,400)	26,000 120,142
<b>Total (Deficit)/Surplus</b>	<b>429,952</b>	<b>820,000</b>	<b>(1,300)</b>	<b>1,248,652</b>
<b>2020/21</b>	<b>Adjustments for Capital Purposes £</b>	<b>Net change for Pension adjustments £</b>	<b>Movement in accrual for accumulated absence £</b>	<b>Total Adjustments £</b>
Conservation of the Natural Environment	-	57,400	(3,400)	54,000
Conservation of the Cultural Heritage	-	28,700	(300)	28,400
Recreation Management and Transport	(36,533)	24,600	600	(11,333)
Promoting Understanding	513,873	139,400	6,100	659,373
Rangers, Estates and Volunteers	-	69,700	(300)	69,400
Development Control	-	32,800	800	33,600
Forward Planning and Communities Management and Administration	- 26,155	20,500 36,900	(3,000) (3,400)	17,500 59,655
<b>Total (Deficit)/Surplus</b>	<b>503,495</b>	<b>410,000</b>	<b>(2,900)</b>	<b>910,595</b>

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

The 2021/22 code requires the Authority to disclose information relating to the impact of an accounting change that will be required by new accounting standards that have been issued but not yet adopted by the Code.

Amendments to the 2021/22 Code of Practice on Local Authority Accounting have been reviewed and are not considered to be relevant or are immaterial to the Authority. A new standard (IFRS 16), which is likely to impact the way the Authority accounts for its leases in the financial statements, was to have been introduced in 2022/23. The implementation date has been deferred to 1 April 2024.

## 3. Financing and Investment Income and Expenditure

	2020/21	2021/22
	£	£
Net interest on the net defined pension liability	130,000	160,000
Interest payable	27,821	26,803
Interest receivable	(2,078)	(994)
<b>Total</b>	<b>155,743</b>	<b>185,809</b>

## 4. Non-Specific Grant Income

	2020/21	2021/22
	£	£
National Park Grant *	(2,672,927)	(2,731,897)
Capital Grants and Contributions	–	(49,950)
<b>Total</b>	<b>(2,672,927)</b>	<b>(2,781,847)</b>

\* 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

	2020/21	2021/22
	£	£
External grants	(434,474)	(1,272,340)
Sales, fees and charges	(792,762)	(1,181,377)
<b>Total</b>	<b>(1,227,236)</b>	<b>(2,453,717)</b>

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

## 6. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22,

### Credited to Taxation and Non-Specific Grant Income

	2020/21	2021/22
	£	£
Tarmac Ltd Landfill Communities fund – The Sill Play area	–	49,950
<b>Total</b>	<b>–</b>	<b>49,950</b>

### Credited to Services

	2020/21	2021/22
	£	£
National Lottery Heritage Fund – The Sill: National Landscape Discovery Centre	22,613	34,717
National Lottery Heritage Fund – Culture Recovery Fund	–	130,390
Natural England – Hadrian’s Wall National Trail	88,364	108,000
Northumberland County Council – Hadrian’s Wall National Trail	15,000	15,000
Defra – Farming in Protected Landscapes	–	361,486
Defra – Countryside Stewardship	–	52,912
Defra – Biodiversity net gain	–	10,047
North York Moors National Park Authority – Kickstart	–	15,129
Natural England – Facilitation Fund	(67)	17,454
Natural England – Revitalising Redesdale	85,045	223,718
Natural England – Water quality monitoring, Hadrian’s Wall Recovering Nature	–	24,000
Yorkshire Wildlife Trust – North of England Peat Partnership	47,406	53,084
Northumberland National Park Foundation – Cheviot Hills Heritage	–	30,000
Northumberland National Park Foundation – Hadrian’s Wall Recovering Nature	–	64,480
Northumberland County Council Covid Support Grants	41,250	55,000
Coronavirus Job Retention Scheme	95,492	587
South Downs National Park Authority – Generation Green	–	38,858
Other Revenue Grants each under £10,000	39,371	37,478
<b>Total</b>	<b>434,474</b>	<b>1,272,340</b>

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
Natural England – Cheviot Hill Tracks	1,855	1,855
Northumberland National Park Foundation – Hadrian’s Wall recovering nature	–	35,520
Defra – Farming in Protected Landscapes	–	6,525
National Grid - Landscape Enhancement initiative	–	143,714
The National Lottery Heritage Fund – The Sill	34,717	–
Northumbrian Water – Cheviot Peat Works	626	–
DEFRA – Additional Covid Grant	146,000	–
<b>Total</b>	<b>183,198</b>	<b>187,614</b>

## **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 Board of the Authority. A further analysis of the nature of income and expenditure is included below.



<b>2021/22</b>	Sales, Fees and Charges	Grants	<b>Total Income</b>	Employee Expenses	Depreciation and impairment costs	Service Expenses	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	£	£	£	£	£	£	£	£
Conservation of the Natural Environment	(31,972)	(597,179)	(629,151)	393,311	–	448,391	841,702	212,550
Conservation of the Cultural Heritage	(1,610)	(167,636)	(169,246)	179,779	–	114,629	294,408	125,162
Recreation Management and Transport	(279,113)	(259,513)	(538,626)	234,563	14,120	270,203	518,885	(19,741)
Promoting Understanding	(748,179)	(215,244)	(963,423)	979,399	503,121	621,713	2,104,233	1,140,810
Rangers, Estates and Volunteers	(6,195)	–	(6,195)	424,830	–	44,279	469,108	462,914
Development Control	(40,826)	(10,047)	(50,873)	212,147	–	18,836	230,983	180,110
Forward Planning and Communities	–	–	–	84,358	–	10,055	94,413	94,413
Management and Administration	(73,482)	(22,721)	(96,203)	879,677	49,742	460,275	1,389,694	1,293,491
<b>Total Surplus</b>	<b>(1,181,377)</b>	<b>(1,272,340)</b>	<b>(2,453,717)</b>	<b>3,388,064</b>	<b>566,983</b>	<b>1,988,381</b>	<b>5,943,426</b>	<b>3,489,709</b>
<b>2020/21</b>	Sales, Fees and Charges	Grants	<b>Total Income</b>	Employee Expenses	Depreciation and Impairment costs	Service Expenses	<b>Total Expenditure</b>	<b>Net Expenditure</b>
	£	£	£	£	£	£	£	£
Conservation of the Natural Environment	(182,087)	(77,604)	(259,691)	291,476	–	184,697	476,173	216,482
Conservation of the Cultural Heritage	(13,087)	(45,625)	(58,712)	147,775	–	31,308	179,083	120,371
Recreation Management and Transport	(177,283)	(112,195)	(289,478)	143,246	(26,630)	132,214	248,830	(40,648)
Promoting Understanding	(311,741)	(190,196)	(501,937)	679,594	544,005	401,788	1,625,387	1,123,450
Rangers, Estates and Volunteers	(8,702)	(1,956)	(10,658)	389,111	–	31,164	420,275	409,617
Development Control	(30,034)	(3,120)	(33,154)	179,708	–	16,351	196,059	162,905
Forward Planning and Communities	(446)	–	(446)	109,178	–	35,051	144,229	143,783
Management and Administration	(69,382)	(3,778)	(73,160)	874,283	26,155	410,376	1,310,814	1,237,654
<b>Total Surplus</b>	<b>(792,762)</b>	<b>(434,474)</b>	<b>(1,227,236)</b>	<b>2,814,371</b>	<b>543,530</b>	<b>1,242,949</b>	<b>4,600,850</b>	<b>3,373,614</b>

**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.

<b>2021/22</b>	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£</b>	<b>£</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation of non-current assets	566,982	(566,982)
Capital Grants and Contributions applied	(49,950)	49,950
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Capital Expenditure charged against the General Fund Balance	(46,130)	46,130
Minimum Revenue Provision for the financing of capital investment	(40,950)	40,950
<b>Adjustment primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,230,000	(1,230,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(410,000)	410,000
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,300)	1,300
<b>Total Adjustments</b>	<b>1,248,652</b>	<b>(1,248,652)</b>

<b>2020/21</b>	<b>General Fund Balance £</b>	<b>Movement in Unusable Reserves £</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation of non-current assets	606,160	(606,160)
Revaluation gains on non-current assets	(62,630)	62,630
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Minimum Revenue provision for the financing of capital investment	(40,035)	40,035
<b>Adjustment primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	770,000	(770,000)
Employer's pension contributions and direct payments to pensioners payable in the year	(360,000)	360,000
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,900)	2,900
<b>Total Adjustments</b>	<b>910,595</b>	<b>(910,595)</b>

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

	Balance at 1 <sup>st</sup> April <b>2021</b>	Transfers out <b>2021/22</b>	Transfers in <b>2021/22</b>	Balance at 31 <sup>st</sup> March <b>2022</b>
<b><u>2021/22</u></b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Medium Term Budget Requirement and 2021/22 Budget carry forward.	414,800	(414,800)	639,200	639,200
IT Capital Replacement Reserve	65,000	(60,000)	5,000	10,000
Planning Contingency	65,000	-	10,000	75,000
Legacy Reserve	5,100	-	-	5,100
Major Repairs Reserve	32,000	-	5,000	37,000
Sill Cyclical Maintenance Reserve	14,600	-	15,300	29,900
Interpretative Maintenance Reserve	14,600	-	500	15,100
Climate Change Reserve	26,000	-	-	26,000
Hadrian's Wall National Trail Capital Works Reserve	101,400	-	27,700	129,100
Northern Uplands Chain Local Nature Partnership	-	-	19,400	19,400
<b>Total Earmarked Reserves</b>	<b>738,500</b>	<b>(474,800)</b>	<b>722,100</b>	<b>985,800</b>

Transfer as per Movement in Reserves Statement £247,300

	Balance at 1 <sup>st</sup> April <b>2020</b>	Transfers out <b>2020/21</b>	Transfers in <b>2020/21</b>	Balance at 31 <sup>st</sup> March <b>2021</b>
<b><u>2020/21</u></b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Medium Term Budget Requirement and 2020/21 Budget carry forward.	523,500	(523,500)	414,800	414,800
IT Capital Replacement Reserve	55,000	-	10,000	65,000
Planning Contingency	55,000	-	10,000	65,000
Legacy Reserve	5,100	-	-	5,100
Major Repairs Reserve	32,000	-	-	32,000
Sill Cyclical Maintenance Reserve	-	-	14,600	14,600
Interpretative Maintenance Reserve	-	-	14,600	14,600
Climate Change Reserve	-	-	26,000	26,000
Hadrian's Wall National Trail Capital Works Reserve	-	-	101,400	101,400
<b>Total Earmarked Reserves</b>	<b>670,600</b>	<b>(523,500)</b>	<b>591,400</b>	<b>738,500</b>

Transfer as per Movement in Reserves Statement £67,900

Further details on the purpose of each earmarked reserve follows.

### **Medium Term Budget Requirement and 2021/22 Budget carry forward**

This reflects the impact of the Medium-Term Budget Plan 2022/23 – 2024/25 agreed in March 2022, as well as budget carry forwards proposed for agreement by the Authority in July 2022, the majority of which relates to multi-year projects.

### **IT Capital Replacement Reserve**

A fund increasing by £10,000 per annum from 2023/24 to be utilised for periodic replacement of ICT hardware and core systems. £60,000 was released from this reserve in 2021/22 to fund the replacement of the server at Eastburn.

### **Planning Contingency**

The earmarked reserve has historically been held to cover the potential future legal costs of challenging or defending major planning decisions.

### **Legacy Reserve**

The Authority has been the recipient of two legacies totalling £72,800, which were placed in an earmarked reserve to ensure that the amounts received are used to fund projects that are appropriate to the donor's interests. £23,900 was released in 2015/16 and a further £43,800 was released in 2018/19, giving a balance of £5,100.

### **Major Repairs Reserve**

This reserve has been created to cover major repairs across the whole of our property portfolio. This will be increased by £10,000 per annum from 2022/23.

### **Sill Cyclical Maintenance Reserve**

This reserve has been created to cover cyclical maintenance at The Sill. An annual amount is provided in the budget whereas the spend requirement will not accrue evenly. Any balance on the budget to transfer to this reserve at the year end to build up funds to cover future cyclical maintenance requirements.

### **Interpretative Maintenance Reserve**

This reserve has been created to cover cyclical maintenance of the main exhibition and interpretation at The Sill. An annual amount is provided in the budget whereas the spend requirement will not accrue evenly. Any balance on the budget to transfer to this reserve at the year end to build up funds to cover future cyclical interpretive maintenance requirements.

### **Climate Change Reserve**

This reserve was created to fund individual actions within the Authority's Climate Change Action Plan.

### **Hadrian's Wall National Trail Capital Works Reserve**

This reserve is the accumulated surplus on the project which will be used for capital projects or match funding other funding sources.

### **Northern Uplands Chain Local Nature Partnership**

The Authority administers this fund on behalf of the partnership. The reserve holds the surplus of contributions made by partners, which will be used in agreement with the partners.

## 10. Usable Reserves

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

	2020/21	2021/22
	£	£
Opening Balance	1,045,453	1,099,618
(Deficit) on the Provision of Services	(856,430)	(893,671)
Adjustments between accounting and funding basis (Note 8)	910,595	1,248,652
<b>Total Usable Reserves</b>	<b>1,099,618</b>	<b>1,454,599</b>

## 11. Unusable Reserves

	2020/21	2021/22
	£	£
Revaluation Reserve	2,229,423	2,634,996
Capital Adjustment Account	8,655,486	8,258,878
Pensions Reserve	(7,900,000)	(6,580,000)
Accumulated Absences Account	(49,400)	(48,100)
<b>Total Unusable Reserves</b>	<b>2,935,509</b>	<b>4,265,774</b>

### Revaluation Reserve

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

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

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

The revaluation reserve during the year was increased by £405,573 to reflect the net valuation gain on assets following the revaluation of The Sill, and four other sites. £438,357 of this movement relates to an upward valuation of The Sill building, £75 relates to the upward valuation of the site at Ridge End, £319 relates to the upward valuation of Harehaugh car park and £166 relates to the upward revaluation of the site at Hareshaw Linn. The reserve was decreased by £33,344 in respect of the difference between fair value depreciation and historical cost depreciation.

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April</b>	1,298,559	2,229,423
Difference between fair value depreciation and historical cost depreciation	(35,993)	(33,344)
Upward revaluation of assets	1,107,449	438,917
Downward revaluation of assets	(140,592)	-
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	966,857	438,917
<b>Balance at 31 March</b>	<b>2,229,423</b>	<b>2,634,996</b>

### Capital Adjustment Account

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

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

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

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April</b>	9,122,988	8,655,486
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	(606,160)	(566,983)
Net revaluation gains and (charges for impairment) of non-current assets	62,630	-
	(543,530)	(566,983)
Adjusting amounts written out of the Revaluation Reserve	35,993	33,345
Net written out amount of the cost of non-current assets consumed in the year	(507,537)	(533,638)
Capital financing applied in the year:		
Capital Expenditure charged against the General Fund Balance	-	46,130
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	49,950
Statutory provision for the financing of capital investment charged against the General Fund	40,035	40,950
	40,035	137,030
<b>Balance at 31 March</b>	<b>8,655,486</b>	<b>8,258,878</b>

### Pensions Reserve

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



	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April</b>	(6,040,000)	(7,900,000)
Actuarial gains, (losses) on pensions assets and liabilities	(1,450,000)	2,140,000
Reversal of items relating to the retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(770,000)	(1,230,000)
Employer's pensions contributions and direct payments to pensioners payable in the year	360,000	410,000
<b>Balance at 31 March</b>	<b>(7,900,000)</b>	<b>(6,580,000)</b>

### Accumulated Absences Account

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April</b>	(52,300)	(49,400)
Cancellation of accrual made at the end of the preceding year	52,300	49,400
Amounts accrued at the end of the current year	(49,400)	(48,100)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,900	1,300
<b>Balance at 31 March</b>	<b>(49,400)</b>	<b>(48,100)</b>

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
Depreciation Property Plant and Equipment	(606,160)	(566,983)
(Impairment charge)/ Revaluation Gain - Property Plant and Equipment	62,630	–
IAS19 charges for Retirement Benefits	(410,000)	(820,000)
<u>Items on an accruals basis:</u>		
Increase (decrease) in stock	(95)	3,110
Increase (decrease) in Debtors	(478,684)	184,304
Decrease (increase) in Creditors	(152,302)	(204,255)
Decrease in Capital Accruals	(37,053)	46,130
<b>Total Non Cash Movements</b>	<b>(1,621,664)</b>	<b>(1,357,694)</b>

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
Cash paid to and on behalf of employees	2,449,593	2,585,303
Operating cash payments	1,302,675	2,007,067
National Park Grant *	(2,818,927)	(2,731,897)
Other external revenue grants	(848,759)	(1,116,954)
Other operating cash receipts	(796,930)	(1,233,632)
Bank interest received	(2,078)	(994)
Loan interest paid	27,999	27,084
<b>Total Cash Flow from Operating Activities</b>	<b>(686,427)</b>	<b>(464,023)</b>

- \* The 2020/21 figure includes £146,000 of additional National Park Grant funding as a result of the forecast financial impact of Covid-19. This was not required and was returned to Defra in July 2021.

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
Cash paid to purchase property, plant and equipment	37,054	49,950
Cash inflow Capital Grants	(78,807)	–
<b>Total Cash Flow from Investing Activities</b>	<b>(41,753)</b>	<b>49,950</b>

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
Repayments of long-term borrowing	40,035	40,950
<b>Net Cash Flows from Financing Activities</b>	<b>40,035</b>	<b>40,950</b>

**16. Officers' Remuneration**

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

		<b>Salary/ Fees, and Allowances</b>	<b>Pension Contribution</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive (National Park Officer)	2021/22	95,434	17,846	113,280
	2020/21	92,726	17,340	110,066
Director of Business Development	2021/22	71,177	13,310	84,487
	2020/21	68,084	12,732	80,816
Director of Park Management	2021/22	63,242	11,826	75,068
	2020/21	60,495	11,313	71,808
Head of Business Support	2021/22	50,921	9,492	60,413
	2020/21	48,854	9,136	57,990

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

Exit package cost band	Total number of exit packages per cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22
£0-£20,000	5	–	£45,956	–

## 17. Audit Costs

In 2021/22 the following fees have been recognised in relation to external audit:

	2020/21	2021/22
	£	£
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor	9,658	30,680
	<b>9,658</b>	<b>30,680</b>

## 18. Pensions

### Introduction

The disclosures below relate to the funded liabilities within the Tyne and Wear 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.

The pension disclosures include allowances for estimated liabilities arising from GMP Indexation / Equalisation and the McCloud Judgement.

### 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 2019 and the contributions to be paid until 31 March 2023 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, South Tyneside Council, is responsible for the governance of the Fund.

<b>Key assumptions</b>	31 <sup>st</sup> March	31 <sup>st</sup> March	31 <sup>st</sup> March
	2022	2021	2020
	% p.a.	% p.a.	% p.a.
Discount rate	2.7%	2.1%	2.3%
CPI Inflation	3.0%	2.7%	1.9%
Pension Increases	3.0%	2.7%	1.9%
Pension accounts revaluation rate	3.0%	2.7%	1.9%
Salary increases	4.5%	4.2%	3.4%
<b>Mortality assumption</b>		31 <sup>st</sup> March	31 <sup>st</sup> March
		2022	2021
<b>Males</b>			
Member aged 65 at accounting date		21.8	21.9
Member aged 45 at accounting date		23.5	23.6
<b>Females</b>			
Member aged 65 at accounting date		25.0	25.1
Member aged 45 at accounting date		26.7	26.9

### 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 2022			Value at 31st	Value at 31st
	Quoted	Unquoted	Total	March 2021	March 2020
	£m	£m	£m	Total	Total
				£m	£m
Equities	8.97	1.72	10.69	10.05	9.41
Property	–	1.58	1.58	1.43	0.57
Govt. bonds	0.38	–	0.38	0.40	2.35
Corporate bonds	3.52	–	3.52	3.59	1.10
Cash	0.34	–	0.34	0.72	0.12
Other	0.90	1.35	2.25	1.92	0.76
<b>Total</b>	<b>14.11</b>	<b>4.65</b>	<b>18.76</b>	<b>18.11</b>	<b>14.31</b>

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

**Reconciliation of funded status to Balance Sheet**

	31st March 2022 £m	31st March 2021 £m	31st March 2020 £m
Fair value of assets	18.76	18.11	14.31
Present value of funded defined benefit obligation	(25.22)	(25.88)	(20.23)
Present value of unfunded defined benefit obligation	(0.12)	(0.13)	(0.12)
Liability recognised on the Balance Sheet	<u>(6.58)</u>	<u>(7.90)</u>	<u>(6.04)</u>

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

Active members	39%
Deferred Pensioners	23%
Pensioners	38%

**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 2022 £m	For the year ended 31st March 2021 £m
<b>Operating cost</b>		
Current service cost*	1.07	0.64
<b>Financing Cost</b>		
Interest on net defined liability / (asset) – funded pension scheme	0.16	0.13
<b>Pension expense recognised in the Surplus or Deficit on the Provision of Services</b>	<u><b>1.23</b></u>	<u><b>0.77</b></u>
<b>Remeasurements in Other Comprehensive Income</b>		
Return on plan assets below that/ (in excess of) recognised in net interest	(0.20)	(3.47)
Actuarial losses due to changes in financial assumptions – funded pension scheme	(1.77)	4.96
Actuarial (gains) / losses due to changes in financial assumptions - unfunded pension scheme	–	0.02
Actuarial (gains) / losses due to changes in demographic assumptions – funded pension scheme	(0.25)	0.16
Actuarial losses / (gains) due to liability experience	0.08	(0.22)
<b>Total Amount recognised in Other Comprehensive Income</b>	<u><b>(2.14)</b></u>	<u><b>1.45</b></u>
<b>Total Amount recognised</b>	<u><b>(0.91)</b></u>	<u><b>2.22</b></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 2022	For the year ended 31st March 2021
	£m	£m
Opening defined benefit obligation	25.88	20.23
Current service cost	1.07	0.64
Interest expense on defined benefit obligation	0.54	0.46
Contributions by participants	0.15	0.12
Actuarial (gains) losses due to changes in financial assumptions	(1.77)	4.96
Actuarial (gains) due to changes in demographic assumptions	(0.25)	0.16
Actuarial losses / (gains) due to liability experience	0.08	(0.22)
Net benefits paid out #	(0.48)	(0.47)
Closing present value of liabilities	25.22	25.88

# 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 2022	For the year ended 31st March 2021
	£m	£m
Opening defined benefit obligation	0.13	0.12
Actuarial losses due to changes in financial assumptions	-	0.02
Net benefits paid out	(0.01)	(0.01)
Closing present value of liabilities	0.12	0.13

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

	For the year ended 31st March 2022	For the year ended 31st March 2021
	£m	£m
Opening fair value of assets	18.11	14.31
Interest income on assets	0.38	0.33
Remeasurement gains / (losses) on assets	0.20	3.47
Contributions by the employer	0.40	0.36
Contributions by participants	0.15	0.12
Net benefits paid out	(0.48)	(0.48)
Closing fair value of assets	18.76	18.11

**Actual return on assets**

	For the year ended 31st March 2022	For the year ended 31st March 2021
	£m	£m
Interest income on assets	0.38	0.33
Remeasurement gains / (losses) on assets	0.20	3.47
Actual return on assets	0.58	3.80

The Authority’s contributions to the fund for the accounting period ending 31 March 2022 are estimated to be £0.40m. In addition, unfunded benefits paid by the Authority directly to beneficiaries were £0.01m in 2021/22 and is expected to be £0.01m for the accounting period ending 31 March 2023.

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

**Asset Volatility**

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

**Changes in Bond Yield**

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

**Inflation Risk**

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

**Life expectancy**

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

**Exiting Employers**

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

**Sensitivity Analysis**

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31<sup>st</sup> March 2022 and the projected service cost for the year ending 31<sup>st</sup> March 2023 is set out as follows.



In each case, only the assumption mentioned is altered, all the other assumptions remain the same and are summarised above.

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

### Funded LGPS Benefits

#### Discount rate assumption

	<b>+0.1% pa</b>	<b>Base Figure</b>	<b>-0.1% pa</b>
Adjustment to discount rate			
Present value of total obligation (£Ms)	24.69	25.22	25.77
% change in present value of total obligation	-2.1%		2.2%
Projected service cost (£Ms)	0.98	1.01	1.05
Approximate % change in projected service cost	-3.4%		3.5%

#### Rate of general increases in salaries

	<b>+0.1% pa</b>	<b>Base Figure</b>	<b>-0.1% pa</b>
Adjustment to salary increase rate			
Present value of total obligation (£Ms)	25.27	25.22	25.17
% change in present value of total obligation	0.2%		-0.2%
Projected service cost (£Ms)	1.01	1.01	1.01
Approximate % change in projected service cost	0.0%		0.0%

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

	<b>+0.1% pa</b>	<b>Base Figure</b>	<b>-0.1% pa</b>
Adjustment to pension increase rate			
Present value of total obligation (£Ms)	25.70	25.22	24.74
% change in present value of total obligation	1.9%		-1.9%
Projected service cost (£Ms)	1.05	1.01	0.98
Approximate % change in projected service cost	3.5%		-3.4%

#### Post retirement mortality assumption

	<b>- 1 year</b>	<b>Base Figure</b>	<b>+ 1 year</b>
Adjustment to mortality age rating assumption*			
Present value of total obligation (£Ms)	26.10	25.22	24.36
% change in present value of total obligation	3.5%		-3.4%
Projected service cost (£Ms)	1.05	1.01	0.97
Approximate % change in projected service cost	4.0%		-4.0%

\* 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 £43,058 (2020/21 £42,884).

The total Northumberland National Park Authority Members travel and subsistence paid in the year was £1,791 (2020/21 £671).

## 20. Financial commitments

### Operating Leases

The amount paid to lessors under the National Park Authority's operating leases in 2021/22 was £28,662 (2020/21 £36,536).

As at the balance sheet date, 31st March 2022, the National Park Authority had total future minimum lease payments under non-cancellable leases of £13,195 (31st March 2021 £35,576):

	31st March 2022		31st March 2021	
	Land and Buildings	Vehicles	Land and Buildings	Vehicles
Operating leases:	£	£	£	£
Payments due within one year	-	11,961	-	22,381
Payments due within two and five years	-	1,234	-	13,194
	-	<b>13,195</b>	-	<b>35,576</b>

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 5 sets out the amount of "National Park Grant" received during the year 2021/22.

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2021/22 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) to Northumberland County Council during 2021/22. Details are set out in the following table.

**Northumberland National Park Foundation**

Northumberland National Park Foundation is a charitable company limited by guarantee, which raises charitable funds to support projects which help to achieve objectives for the National Park. The Trustees and governance are fully independent of Northumberland National Park Authority, however the Authority has provided ongoing administrative support.

<b>Payments to related parties</b>		<b>Payments to related party</b>	<b>Due to related party at</b>	<b>Payments to related party</b>	<b>Due to related party at</b>
	<b>Nature of relationship</b>	<b>2020/21</b>	<b>31.3.21</b>	<b>2021/22</b>	<b>31.3.22</b>
		£	£	£	£
Northumberland County Council	a.	41,405	17,443	55,379	8,744
Glendale Agricultural Society	b.	-	-	-	-
Glendale Gateway Trust	b.	-	-	-	-
Harbottle Show	b.	-	-	-	-
Kielder Water & Forest Park	b.	10,824	-	5,520	-
Ingram Village Hall	b.	-	-	80	-
Northumberland National Park Foundation	c.	1,157	-	521	-

<b>Receipts from related parties</b>		<b>Receipts from related party</b>	<b>Due from related party at</b>	<b>Receipts from related party</b>	<b>Due from related party at</b>
	<b>Nature of relationship</b>	<b>2020/21</b>	<b>31.3.21</b>	<b>2021/22</b>	<b>31.03.22</b>
		£	£	£	£
Northumberland County Council (includes grants administered by Northumberland as the accountable body)	a.	32,003	-	35,431	-
Northumberland National Park Foundation	c.	33,929	-	220,527	25,527

Nature of relationship:

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

## 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.

	2020/21	2021/22
	£	£
<b>Opening Capital Financing Requirement</b>	<b>1,170,282</b>	<b>1,130,247</b>
<u>Capital Investment</u>		
Land and Buildings	–	–
Plant, Furniture and Equipment	–	96,080
	–	<b>96,080</b>
<u>Sources of Finance</u>		
Government Grants and other contributions	–	(49,950)
Direct Revenue Contributions	–	(46,130)
Repayment of loan principal	(40,035)	(40,950)
<b>Closing Capital Financing Requirement</b>	<b>1,130,247</b>	<b>1,089,297</b>
<b>Explanation of movements in year</b>		
Expenditure financed from new external borrowing (not supported by government financial assistance)	1,130,247	1,089,297
<b>(Decrease) in Capital Financing Requirement</b>	<b>(40,035)</b>	<b>(40,950)</b>

**23. Property, Plant and Equipment**

	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Total £
<b>Movements in Property, Plant and Equipment during 2020/21:</b>				
<b>Cost / Valuation as at 31st March 2020</b>	<b>10,951,910</b>	<b>1,498</b>	<b>1,366,924</b>	<b>12,320,332</b>
Revaluation increases recognised in the Revaluation Reserve	607,449	–	–	607,449
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	55,589	–	–	55,589
<b>Cost / Valuation as at 31st March 2021</b>	<b>11,614,948</b>	<b>1,498</b>	<b>1,366,924</b>	<b>12,983,370</b>
<b>Accumulated depreciation as at 31 March 2020</b>	<b>24,319</b>	<b>45</b>	<b>704,138</b>	<b>728,502</b>
Depreciation Charge	427,987	15	178,158	606,160
Impairment losses / (reversals) recognised in the Revaluation Reserve	(359,408)	–	–	(359,408)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(7,040)	–	–	(7,040)
<b>Accumulated depreciation as at 31 March 2021</b>	<b>85,858</b>	<b>60</b>	<b>882,296</b>	<b>968,214</b>
Net Book Value as at 31st March 2020	<b>10,927,591</b>	<b>1,453</b>	<b>662,786</b>	<b>11,591,830</b>
<b>Net Book Value as at 31st March 2021</b>	<b>11,529,090</b>	<b>1,438</b>	<b>484,628</b>	<b>12,015,156</b>

	Land and Buildings £	Surplus Land and Buildings £	Plant, Furniture and Equipment £	Total £
<b>Movements in Property, Plant and Equipment during 2021/22:</b>				
<b>Cost / Valuation as at 31st March 2021</b>	<b>11,614,948</b>	<b>1,498</b>	<b>1,366,924</b>	<b>12,983,370</b>
Additions	–	–	96,081	96,081
Revaluation increases recognised in the Revaluation Reserve	100,000	–	–	100,000
<b>Cost / Valuation as at 31st March 2022</b>	<b>11,714,948</b>	<b>1,498</b>	<b>1,463,005</b>	<b>13,179,451</b>
<b>Accumulated depreciation as at 31 March 2021</b>	<b>85,858</b>	<b>60</b>	<b>882,296</b>	<b>968,214</b>
Depreciation Charge	410,508	15	156,460	566,983
Impairment losses / (reversals) recognised in the Revaluation Reserve	(338,842)	(75)	–	(338,917)
<b>Accumulated depreciation as at 31 March 2022</b>	<b>157,524</b>	<b>–</b>	<b>1,038,756</b>	<b>1,196,280</b>
<b>Net Book Value as at 31st March 2021</b>	<b>11,529,090</b>	<b>1,438</b>	<b>484,628</b>	<b>12,015,156</b>
<b>Net Book Value as at 31st March 2022</b>	<b>11,557,424</b>	<b>1,498</b>	<b>424,249</b>	<b>11,983,171</b>

Additions to Property, Plant and Equipment were financed through a combination of capital grants and revenue funding. A full valuation of The Sill was undertaken at 31 March 2022, and a revaluation of our sites at Harehaugh, Ridge End, Hareshaw Linn and The Piggery were carried out as part of the cyclical programme of revaluations. The re-valuation of The Sill was carried out by Lambert Smith Hampton, and the other sites were valued by James Ramsey, MRICS BSc (Hons) a Senior Surveyor of Newcastle City Council. The valuations were performed in accordance with the regulations set out by the International Financial Reporting Standards (IFRS) using the valuation methodology applicable to the asset classification. The Authority is not aware of any material change in the value of any other Property, Plant and Equipment as at 31 March 2022.

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

	31/03/2021	31/03/2022
Administrative offices	2	2
Rural Business Enterprise Hub	1	1
Visitor centres / tea rooms	4	4
Historic sites / buildings	3	3
Farms	1	1
Woods, parks, picnic sites	4	4
Car parks / toilets	6	6

### **Acquisitions**

#### The Sill National Landscape Discovery Centre Building

Practical completion of the building took place in 2017/18. Given the materiality of this asset and the potential impact on the accounts relating to any changes to the indices used in valuing the property, an updated valuation of The Sill was commissioned and carried out at 31 March 2022. A revised value of £8,100,000 was given; an upward revaluation of £438,357.

### **Outstanding Capital Commitments**

As at the 31<sup>st</sup> March 2022 the Authority had no outstanding capital commitments.

### **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 £26.1k for every year that useful lives had to be reduced.

## **24. Assets Held for Sale**

Following a board decision on 20 March 2019 to pursue the sale of Falstone visitor centre, this asset was reclassified as an asset held for sale in 2018/19, and subsequently assigned a nil value. The transfer was delayed as a result of the Coronavirus Pandemic and had not occurred at 31 March but there is an option for the Tenant to purchase the property in this financial year. Under the current lease, a peppercorn rent is being received for the property.

## **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 2020/21 and 2021/22 were as follows:

	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
Cost / valuation balance as at 1 <sup>st</sup> April	13,400	13,400
Assets under construction	-	-
Acquisitions	-	-
Disposals	-	-
	<hr/>	<hr/>
Cost / valuation balance at as 31 <sup>st</sup> March	13,400	13,400
Cumulative Amortisation balance as at 1st April	13,400	13,400
Amortisation for the year	-	-
Written off on disposal	-	-
	<hr/>	<hr/>
Cumulative Amortisation Balance as at 31 March	13,400	13,400
Net Book Value as at 31st March	-	

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 19<sup>th</sup> century dam used at Bellingham iron works which historically formed part of the site. This is not part of the valuation placed on the site.



## 27. Inventories

The total Northumberland National Park Authority Goods for Resale value at year end was £40,182 (2020/21 £37,073). Stock is now held at our Walltown site as well as the Sill National Landscape Discovery Centre retail space.

There was a write off of obsolete stock during the financial year totalling £1,958 (during 2020/21 £1,844 written off).

## 28. Short Term Debtors

Analysis of debtors total at year end by organisation type

	<b>31.03.21</b>	<b>31.03.22</b>
	<b>£</b>	<b>£</b>
Central Government Bodies	70,747	34,899
Local Authorities	6,224	3,949
Other entities and individuals	219,823	442,250
	<b>296,794</b>	<b>481,098</b>

## 29. Cash and Cash Equivalents

	<b>31.03.21</b>	<b>31.03.22</b>
	<b>£</b>	<b>£</b>
Bank Deposits	714,355	715,557
Bank Accounts	475,177	842,331
Cash in transit	2,809	7,447
Petty cash	836	965
	<b>1,193,177</b>	<b>1,566,300</b>

## 30. Short Term Creditors

Analysis of creditors at year end by organisation type

	<b>31.03.21</b>	<b>31.03.22</b>
	<b>£</b>	<b>£</b>
Central government bodies	187,565	63,316
Other local authorities	8,001	15,700
Other entities and individuals	281,260	602,065
	<b>476,826</b>	<b>681,081</b>

## 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 £481,098 (2020/21 £296,794) and cash totalling £1,566,300 (2020/21 £1,193,177).

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 £681,081 (2020/21 £476,826) 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 31<sup>st</sup> March past due but not impaired, a total of £28,169 was outstanding between 30 and 60 days and £872 was outstanding for over 60 days. All balances

past due but not impaired with the exception of £608 had been collected prior to the accounts being approved for audit in July 2022.

### 32. Long Term Loans

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

<b>Analysis by Type of Loan</b>	<b>31.03.21</b>	<b>31.03.22</b>
	<b>£</b>	<b>£</b>
Public Works Loan Board	40,950	41,886

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

<b>Analysis by Type of Loan</b>	<b>31.03.21</b>	<b>31.03.22</b>	<b>Interest Rate</b>
	<b>£</b>	<b>£</b>	
Public Works Loan Board (10 year loan)	42,078	31,829	1.73%
Public Works Loan Board (30 year loan)	1,047,219	1,015,582	2.45%
<b>Total</b>	<b>1,089,297</b>	<b>1,047,411</b>	

<b>Analysis by maturity</b>	<b>31.03.21</b>	<b>31.03.22</b>	<b>Ave. Interest Rate</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Between 1 and 2 years	41,886	42,844	2.43
Between 2 and 5 years	131,497	123,526	2.44
Between 5 and 10 years	183,180	187,696	2.45
Between 10 and 15 years	206,898	211,998	2.45
Between 15 and 20 years	233,687	239,447	2.45
Between 20 and 25 years	263,944	241,900	2.45
Between 25 and 30 years	28,205	-	2.45
<b>Total</b>	<b>1,089,297</b>	<b>1,047,411</b>	<b>2.45</b>

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

<b>PWLB Fair Value</b>	<b>31.03.21</b>	<b>31.03.22</b>
	<b>£</b>	<b>£</b>
<b>Total</b>	<b>1,339,281</b>	<b>1,196,290</b>

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

### **33. Contingent Liabilities**

During the year, the PSAA agreed with our Auditors, Ernst and Young, that additional fees for the 2019/20 audit of £11,772 could be charged. Negotiations are ongoing as to additional fees for the 2020/21 audit. We have included an accrual in the accounts for £10,000 in respect of this.

### **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.

The Chief Finance Officer authorised the draft Statement of Accounts 2021/22 for issue on the 20<sup>th</sup> July 2022, the statements being subject to the external audit process.