

YORKSHIRE DALES NATIONAL PARK AUTHORITY

26 September 2006

DRAFT STATEMENT OF FINANCIAL ACCOUNTS 2005/2006
Report of the Treasurer**1.0 Purpose of report**

- 1.1 To resubmit for Members' approval the Draft Statement of Financial Accounts (SOFA) for 2005/2006 and to authorise the Chair of the Authority to sign the Balance Sheet and Statement of Internal Control.

2.0 Background

- 2.1 A Draft SOFA was presented to this committee for approval on the 30th May 2006, prior to the commencement of the work of External Audit.

2.2 Statutory Purposes

The Accounts and Audit Regulations 2003 issued by the Secretary of State and which came into force on 1 April 2003 requires that the SOFA for the year ended 31 March 2006 is certified by the auditors before the 30th September 2006. The approval of the draft SOFA by this committee in May was necessary to meet the interaction of reporting and auditing leading up to the September deadline.

3.0 Draft Statement of Accounts

- 3.1 A revised SOFA for the Yorkshire Dales National Park Authority is attached at Appendix A. The format and content of this document must comply with the CIFPA Code of Practice on Local Authority Accounting and is therefore largely outside the control of this Authority. This Code sets out the proper accounting practice required for the SOFA within the statutory framework of the Accounts and Audit Regulations 2003 and the Local Government and Housing Act 1989.
- 3.2 At the meeting of this committee on the 30th May the possible need to resubmit the draft accounts for re-approval at this meeting, following the completion of the audit fieldwork, was highlighted :

"The Accounts and Audit Regulations require that any material amendments to the SOFA resulting from the audit be reported back to Members. Any such amendments will be reported to the Authority meeting prior to the 30th September 2006 deadline. It must be noted that due to the preparation of the accounts within the shortened timetable it is more likely than in previous years that amendment may be required. In particular members should be

aware that there are a number of factors existing at the Balance Sheet date which have not been incorporated into the accounts as their potential financial impact could not be assessed. “

3.3 Since the commencement of the audit a number of issues have arisen that require incorporation into the accounts prior to the auditor signing the audit certificate for insertion at page 11. These issues are as follows:

- Amendments to the disclosures on pensions required by Financial Reporting Standard (FRS) 17
- Amendment to the Fixed Asset amount and Fixed Asset Restatement following the receipt of the valuation for Balance Sheet purposes from Mouchel Parkman.
- Minor amendments to the Statement of Internal Control following advice from the Monitoring Officer.
- Additional Balance Sheet Note 13 – Events after the Balance Sheet Date to ensure compliance with FRS 21 (Events after the Balance Sheet Date).

3.4 As a result of these amendments the SOFA is resubmitted for approval and once this has been obtained the Audit Commission will formally sign off the Accounts in accordance with the Audit and Accounts Regulations 2003 and by the relevant date (para 2.2 above). Note that none of these amendments have any impact on the revenue account balance, or spending outturn, for the year.

4.0 Changes to Disclosures relating to the Local Government Pension Scheme (LGPS) as required by FRS 17.

4.1 On the 26th June 2006 the Chartered Institute of Public Finance Accountants (CIPFA) issued guidance on changes to the disclosures required by all authorities to comply with FRS 17. This guidance was issued too late for incorporation into the draft accounts. However the External Auditor requires the accounts to be amended to ensure compliance. This has resulted in additional information being disclosed in Note 4 to the Revenue Account on page 17 and Note 10 to the Balance Sheet on pages 23 to 24.

4.2 The introduction of these changes has led to our Audit Manager raising a technical query with CIPFA relating to the specific treatment of the FRS 17 Pensions adjustment to the revenue account by all National Park Authorities and the accounts as presented have been amended in accordance with the response received. In the accounts presented to the Authority in May 2006 the Gross Expenditure reported in the Revenue Account has been reduced by £335k to reflect the FRS 17 pension cost (the cost of providing pensions as accrued) as opposed to the cash amount paid into the Pension Fund in year. This reduction to each functional heading was calculated pro rata to salary costs within that heading and this treatment is consistent with the treatment in prior years. However, this treatment conflicts with the Best Value Accounting Code of

Practice (BVACOP) which requires the Pensions Adjustment to be disclosed as a 'Non-Distributed Cost (NDC)'. The National Park Authorities did not disclose NDC on a separate line in the Revenue Account because the latter are prepared in accordance with the Financial Grant Memorandum issued by DEFRA and not by using the BVACOP service headings (see Note 12 Statement of Accounting Policies). The External Auditor has now required the Authority to include a line for Non Distributed Costs solely for the past service element of the FRS 17 disclosure (£258k) in the 2005/06 Accounts (including adjustment of the 2004/05 comparators). In future years the Audit Commission have requested that CIPFA develop a BVACOP Proforma specifically for National Park Authorities, consistent with those developed for Fire, Police and other Local Authorities.

- 4.3 In addition to the above changes the Auditors have identified an error in the Movement of Pensions reserve figure in the audited accounts for both 2004/05 and 2005/06 which has arisen as the incorrect figures in the Actuarial report had been used. These figures have been amended, however, they have no impact on the revenue position of the Authority. The Pension Fund information is consolidated into the Net Operating Expenditure and the balancing movement on the Pension Reserve reverses this adjustment so that it has no impact on the National Park Grant (NPG).

5.0 Valuation of Yoredale for Balance Sheet purposes

- 5.1 As reported to the Finance and Resources Committee on 7th August 2006 the Authority received an 'open market' valuation of Yoredale from Mouchel Parkman after the submission of the Draft Accounts (on 26th May). In the absence of this information the building had been included in the Fixed Assets figure on the balance sheet at cost. However, for accounting purposes all operational fixed assets should be recorded at the lower of cost or open market value in existing use. The valuation received from Mouchel Parkman estimates that the commercial value of Yoredale is £1.3m (because, beyond the Authority itself, there is no real market for this type of premises in this location).
- 5.2 In order to reflect the above item in the accounts the Fixed Assets amount has been reduced and is netted off by a corresponding reduction in the Fixed Asset Restatement Account. The Fixed Asset Restatement Account is a 'non-cash' reserve that is used to adjust for fluctuations in the valuation of the Authority's assets without any impact on the revenue position of the authority. In the past, this reserve has been subject to considerable fluctuation: for example, in 2004 the Authority's assets increased in value by £2.7m after a full revaluation and it is likely that the value of such operational assets will increase and decrease again.

6.0 Other Amendments

- 6.1 Following the Authority meeting on 30th May the Monitoring Officer requested a minor amendment to the Statement of Internal Control which has been included in the revised draft. This change is as follows:

Para 3(d) amended from 'established by the Policy Development Forum' to 'discussed by the Policy Development Forum and approved by the Authority'.

- 6.2 FRS 21 "Events after the Balance Sheet Date" requires inclusion of a note detailing the date on which the accounts were authorised for issue and who authorised the accounts for issue. This note has been included at Note 13 to the Balance Sheet on page 24.

7.0 Recommendations

- 7.1 To approve the Draft Statement of Financial Accounts for the financial year ended 31st March 2006.
- 7.2 The chair of the Authority to sign the accounts on page 20 of the SOFA.
- 7.3 The chair of the Authority to sign the Statement of Internal Control on page 10 of the SOFA.

J.S. MOORE
Treasurer
Financial Services
County Hall
Northallerton

11 September 2006

STATEMENT OF ACCOUNTING POLICIES

1. General

These accounts have been prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2005", issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Fixed Assets

From 1st April 1994, all expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides extend for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to the revenue accounts.

Fixed assets are valued on the basis required by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Mr M Dobson MRICS, from Mouchel Parkman, an external land and property consultancy organisation, valued the land and buildings as at 31 March 2004. To comply with capital accounting purposes, this valuation gave a separate valuation for the land and building elements.

Fixed assets are classified into the groupings required by the 2005 Code of Practice on Local Authority Accounting.

- land, operational properties and other operational assets are included in the balance sheet at the lower of the net current replacement cost or net realisable value in their existing use, net of depreciation.
- Non Operational Assets (surplus to requirements) are included in the Balance Sheet at the open market value.

All surpluses arising on the revaluation of fixed assets will be credited to the Fixed Asset Restatement Account. All material fixed assets will be revalued at least every 5 years.

On an annual basis all assets are reviewed for evidence of impairment (a decline in their realisable value due to specific events) by the external valuers in line with the guidance given in FRS11.

3. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- in accordance with the Best Value Accounting Code of Practice all buildings (but not the land on which they stand) are depreciated over their remaining useful lives. Buildings are therefore depreciated over 25 years.
- vehicles, plant, furniture and equipment is depreciated over a number of years depending on the nature of the asset.

Depreciation is calculated using the straight-line method with no residual value.

4. Charges to Revenue

From 1st April 1994, the revenue account is charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest (3.5% in 2005/06) to net asset values. The capital financing charge represents a notional value of the other opportunities foregone by the Authority in investing in assets for particular services. The aggregate charge is determined on the basis of the capital employed by the Authority on 31st March 2006.

The Asset Management Revenue Account, a subsidiary account to the Revenue Account is credited with the capital financing charges debited to services so that these notional charges have no impact on the amounts required to be raised from the National Park Grant.

5. Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Deferred charges are written off to the Revenue Account and a matching appropriation is then made from the Capital Financing Account. This treatment is in accordance with CIPFA's guidance in the 2005 SORP.

6. Debtors and Creditors

The revenue and capital accounts of the Authority are, in general, maintained on an accruals basis in accordance with Financial Reporting Standard (FRS) 18. The accounts reflect sums due to or incurred by the Authority during the year whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for creditors and debtors at 31st March 2006.

Exceptionally, metered energy and telephone charges and other periodic payments for establishments are charged when due during the financial year rather than being apportioned between financial years. This policy is applied each year and does not therefore have a material effect on the year's accounts, which reflect 12 months' expenditure.

7. Grants

Revenue grants are accrued and credited to income in the same period in which related expenditure is charged.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Capital Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset, to match the depreciation charged on the asset to which it relates.

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

8. Stocks and Stores

Stocks and stores generally have been included in the accounts at cost price. In general, obsolete and slow moving items are written-off during the year and netted off against the value of stock shown in the Balance Sheet. This treatment differs from the requirements of SSAP9, which requires stocks to be shown at the lower of actual cost or net realisable value. It is considered that this difference in treatment does not have a material effect on the accounts.

9. Allocation of Support Services Costs

The cost of Support Services such as Finance, Information Technology, Personnel, Secretariat and general office administration are recharged to the appropriate functional headings. This is on the basis of various recharge calculations related to the type of support expenditure being allocated. Recharges to Functional Headings from the Corporate and Democratic Core are consistent with the National Park Grant Memorandum issued by the Department of Environment, Food and Rural Affairs.

10. Reserves

- (i) The Fixed Asset Restatement Account represents principally the balance of the surpluses or deficits arising on the periodic revaluation of Fixed Assets.
- (ii) The Capital Financing Account represents amounts set aside from revenue resources to finance expenditure on fixed assets and certain other capital transactions.

11. Pensions

The pension liabilities of the Authority are to be accounted for using FRS17 principles.

Employees, subject to certain qualifying criteria, are eligible to join the North Yorkshire Local Government Pension Scheme, administered by North Yorkshire County Council, which provides members with defined benefits related to pay and service.

In line with the accounting policies outlined in the 2005 Statement of Recommended Practice (SORP), the Authority has complied with the requirements of Financial Reporting Standard 17 - Retirement Benefits 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 (3.5% in excess of inflation);
- the deficit in the scheme is the shortfall of the value of assets over the present value of liabilities;
- the current service cost is based on the most recent actuarial valuation at the beginning of the period;
- the interest cost is based on the discount rate and present value of liabilities at the beginning of the period;
- actuarial gains and losses may arise from a new valuation or updates to the latest valuation;
- past service costs are disclosed on a straight-line basis over the period the increased benefits vest;
- gains / losses arising on settlement or curtailment are measured at the date all parties become irrevocably committed to the transaction.

12. Presentation of Accounting Statements

The Best Value Code of Practice recommends that the Revenue Account shows an analysis of expenditure on services classified in the way laid down in the CIPFA Standard Form of Accounts. The Accounts show expenditure analysed in accordance with the DEFRA National Park Authorities Grant Memorandum classification which does not correspond with the CIPFA classification.

13. Provisions

Provision has been made in the revenue accounts for liabilities that have been incurred, but the amounts or dates on which they will arise are uncertain. Provisions are required to be recognised when the Authority has a present obligation as a result of a past event which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When expenditure is incurred to which the provision relates, it is charged directly against the provision in the balance sheet and not the revenue account.

14. Treasury Management

The Yorkshire Dales National Park Authority has an arrangement with North Yorkshire County Council whereby the balance of the Authority's bank account is merged each day with the balances of the County Council and several other organisations. These balances are then invested by North Yorkshire County Council and interest is paid to the Yorkshire Dales National Park Authority based on the actual overall rate achieved.

The service provided by NYCC complies with the Code of Practice for Treasury Management in Local Authorities as fully revised by CIPFA in 2002. Interest earned on investments is credited to income on an accruals basis.

15. Leases

The Yorkshire Dales National Park Authority has only entered into leasing arrangements defined by SSAP 21 "Leases and Hire Purchase Contracts" as operating leases. In these cases the rentals payable are charged to revenue on a straight line basis over the lease term.

The Authority has not entered into any finance leases. If this were to occur the provisions set out under SSAP 21 would be followed.

STATEMENT OF INTERNAL CONTROL

1. Scope of Responsibility

The Yorkshire Dales National Park Authority is responsible for ensuring that its business is conducted in accordance with law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Local Government Act 1999 places the Authority under a duty to make arrangements to exercise its functions so as to ensure 'continuous improvement' having regard to economy, efficiency and effectiveness.

2. The Purpose of the System of Internal Control

The system of Internal Control is designed to manage risk at an acceptable level and as a result can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected in a timely manner.

The system of Internal Control has been developed as part of an ongoing process of Risk Management and has been in place for the year ended 31 March 2006; and is designed to:

- Establish and monitor the achievement of the Authority's objectives
- Identify and evaluate the nature and extent of the principal risks to the achievement of the Authority's objectives
- Manage these risks so as to ensure the efficient, effective and economic use of the Authority's assets and resources
- Facilitate policy and Decision Making
- Ensure compliance with established laws, regulations, policies and procedures.

3. The Internal Control Environment

The key elements of control:

- (a) The Authority publishes its objectives and commitment to the achievement of statutory purposes in a number of plans; the key plan is the National Park Management Plan (NPMP) which establishes the five year vision of the authority. This plan is currently under review for 2006-2011.
- (b) The Best Value Performance Plan (BVPP) translates the NPMP into service-specific annual objectives, with targets and financial plans. This is revised and published annually and forms an integral part of the Performance Management regime.
- (c) In addition to these there are a number of supplementary plans and supporting strategies.
- (d) The Medium Term Financial Strategy for the next three years is established by the Authority's Budget Process, which is developed in accordance with

- the Priorities discussed by the Policy Development Forum and approved by the Authority.
- (e) The Authority incorporates the principles of Corporate Governance into every dimension of its business to ensure that stakeholders can have confidence in the decision-making and management processes of the Authority, and in the conduct and professionalism of its members, officers and agents in delivering services.
 - (f) The Authority's Standing Orders and other policies describe the decision-making process and operation of the Authority. These establish the transparency, accountability, efficiency and effectiveness of the operation of the Authority. These are supplemented by the:
 - Scheme of Delegation
 - Officers and Members Code of Conduct
 - Financial Regulations
 - Policies and Procedures
 - (g) The Financial Management of the Authority is embedded in the budget setting and budget monitoring systems which are applied consistently across all departments. These ensure that financial reports are provided in a timely manner in a format that is relevant to the needs of the user. Financial Regulations set out the policies and procedures to be adhered to in relation to the above.
 - (h) Performance Management is applied consistently throughout the organisation and includes the implementation of the National Park Authority Performance Assessment (NPAPA) process.
 - (i) Risk Management procedures include an annual Risk Prioritisation Exercise which is reported to the Audit and Review Committee. The Authority also operates a Health and Safety Working Group.
 - (j) The Internal Audit Service provide an independent review of compliance with all the above on a regular basis.

4. Review of Effectiveness – 2005/06 Overview

Under the Accounts and Audit Regulations 2003 the Authority has a duty to conduct a review of the effectiveness of the system of internal control at least annually.

This review is informed by the work of the Internal Audit Service, the Monitoring Officer and by the output of the Corporate Governance Working Group (a member group advised by officers) which reports to the Audit and Review Committee. The development of the internal control environment is also informed by the comments of the external auditors and other review agencies.

The table below identifies the key controls and the findings of the review of effectiveness. Since 2004/05 a number of significant changes have been implemented and these are identified in the table below, as well as areas requiring improvement in 2006/07.

Control	Review of Effectiveness	Action Taken/Planned
<p>Statutory Roles of Authority's Monitoring Officer and section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.</p>	<p>The external auditor is satisfied with the authority's arrangements (Annual Management Letter 2004/05).</p>	<p>Financial Regulations were revised in 2005/06</p>
<p>Internal Audit provides an objective and independent assurance across the whole range of the Authority's activities. This assurance is supported by the review and reporting of External Audit.</p>	<p>The Internal Audit Service is outsourced and the work is identified in the Annual Audit Plan. The findings and recommendations are reported to the Audit and Review Committee.</p> <p>The External Auditors place reliance on the work undertaken by the Internal Audit Service (Annual Management Letter 2004/05)</p>	
<p>The Authority has effective processes for the identification of priorities and the Performance Management.</p>	<p>In 2005/06 the Authority completed the National Park Authority Performance Assessment (NPAPA) process. This identified the organisations strengths in relation to priority setting.</p> <p>Performance against the targets set in the Best Value Performance Plan is regularly reported and subject to review by the External Auditors.</p>	<p>The National Park Management Plan is currently under review and this will link into a review of priorities by the Policy Development Forum in 2006/07.</p> <p>The NPAPA Process resulted in a draft improvement plan.</p> <p>The Best Value Performance Plan is updated annually.</p>
<p>The Authority has an effective and efficient system of financial management systems.</p>	<p>The Authority has adopted a 3 year Financial Plan for budgeting purposes. The priority setting process is used to allocate</p>	<p>In order to address significant budget pressures in 2006/07 and beyond a review of core costs and opportunities for alternative funding sources will</p>

Control	Review of Effectiveness	Action Taken/Planned
	<p>resources.</p> <p>Budget Managers have a range of reporting tools available to facilitate the management of budgets.</p> <p>Regular progress reports are presented to the Finance and Resources Committee.</p> <p>All Financial decisions are taken in line with Financial Regulations and other policies.</p>	<p>be undertaken.</p> <p>In 2006/07 further development and training will be undertaken.</p> <p>The Authority has started work on the implementation of a Procurement Strategy and an Asset Management Strategy. This work will be completed in 2006/07.</p>
<p>Risk Management and Prioritisation processes are in place (including Health and Safety Procedures).</p>	<p>The Authority has a Risk Register and an annual report is taken to the Audit and Review Committee.</p> <p>The Authority has a Health and Safety Officer Group.</p>	<p>In 2006/07 an exercise to reclassify the risks will be undertaken.</p>
<p>The authority has sound corporate governance arrangements in place</p>	<p>The Authority has embedded corporate governance principles into every dimension of its business.</p>	<p>In 2005/06 the Authority has</p> <ul style="list-style-type: none"> • established a Corporate Governance Working Group and adopted the Good Governance Standard for Public Services. • Updated the Officers Code of Conduct and Register of Interests and conducted Members Training • Updated the Confidential Reporting Policy to ensure compliance with the Public Interest Disclosures Act. • Officers conduct is controlled by Staff Guidance which will be reviewed when the national Code of Officers Conduct has been published.

5.0 Significant Internal Control Issues

It is considered that there are no significant internal control issues.

Signed

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Chief Executive

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Chairman of Yorkshire Dales National Park
Authority

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