

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES AND PERFORMANCE COMMITTEE – 25 JUNE 2008

AUTHORITY MEETING – 26 JUNE 2008

**STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT
FOR FINANCIAL YEAR 2007/08**

Report by: Paul Carey-Kent, Chief Finance Officer

Summary:

1. This report introduces the final accounts for the New Forest National Park Authority for 2007/08, together with the Annual Governance Statement. The presentation of both documents follows the relevant statutory accounting codes of practice and Account and Audit Regulations 2003 and 2006 which apply to local authorities.
2. The Accounts for the year ended 31 March 2008 are required to be approved by the Authority before 30 June; these will be subject to audit by the Audit Commission and an audit opinion issued prior to publication of the accounts by 30 September 2008.
3. The Annual Governance Statement forms part of the final accounts and requires formal approval by the Authority; it is subsequently signed by the Chief Executive and Chairman prior to publication by the Authority.
4. The report also includes a summary of the actual expenditure incurred for the year in the same reporting format for regular budgetary control reports to members. The summary shows an under-spend of £327,000 against the last approved budget of £3.854 million, £220,000 of which was predicted in the April 2008 report to Resources and Performance Committee.
5. The outturn net expenditure figure of £3.527 million is an underspend of £899,000 from the original approved budget of £4.426 million, which together with £260,000 additional Defra grant means that the Authority's year end reserves position is £1.159 million greater than predicted when the 2007/08 budget was set.
6. The report makes a recommendation to members to approve the further transfer of £156,000 of the under-spend to the General Fund Reserve, the transfer of £190,000 to an earmarked SSSI Restoration

Reserve and the reduction of £19,000 in the previously approved transfer to the Sustainable Developments Grant Reserve.

7. The report also includes the annual report on the Treasury Management Service and actual prudential indicators for 2007/08. This is shown as **Annex 4**.

Recommendations: To

1. **Approve the Annual Governance Statement (Annex 1)**
2. **Approve the Authority's Statement of Accounts for the financial year 2007/08 (Annex 2)**
3. **Note the final out-turn position for 2007/08 as set out in Annex 3**
4. **Approve the transfers of £156,000 to the General Fund, £190,000 to the SSSI Restoration Reserve and the transfer of £19,000 from the Sustainable Development Grants Reserve**
5. **Note the Treasury Management stewardship report and actual prudential indicators for 2007/08 (Annex 4)**

Resources:

Routine

Papers:

NFNPA/RPC56/08:	Cover paper
NFNPA/RPC Annex 1:	Annual Governance Statement
NFNPA/RPC Annex 2:	Statement of Accounts 2007/08
NFNPA/RPC Annex 3:	General Fund Outturn 2007/08
NFNPA/RPC Annex 4:	Annual report on the Treasury Management Service and Actual Prudential Indicators for 2007/08

Contact:

Paul Carey-Kent
Tel: 01962 847525
Email: paul.carey-kent@hants.gov.uk

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1 Introduction

- 1.1 The Account and Audit Regulations 2003, as amended by the 2006 Regulations, require the New Forest National Park Authority to adopt its 2007/08 final accounts within three months of the financial year to which they refer.
- 1.2 The Authority's external auditors are required to complete their audit of the accounts and issue an audit opinion, to enable the Authority to publish its accounts within six months of the financial year to which they refer.
- 1.3 The Regulations also reinforce the responsibility of the Authority in ensuring that its financial management arrangements are adequate and effective, and that there are sound systems of internal control and risk management in place. To this end, an Annual Governance Statement is included within the annual Statement of Accounts.
- 1.4 The Authority is required formally to consider and adopt the Annual Governance Statement before it is included with the Statement of Accounts for publication. The document is usually signed by the Chairman and the Chief Executive on behalf of the Authority.
- 1.5 The formal Annual Governance Statement is attached as **Annex 1** to this report; the Statement of Final Accounts is attached as **Annex 2**.
- 1.6 The Statement of Accounts and Annual Governance Statement are both subject to audit by the Authority's external auditors. If either set of documents require any material amendment as a result of the audit, these will be reported to a subsequent meeting of the Authority.

The audit will be concluded by issue of a management letter to the Authority later this year.

2 Annual Governance Statement

2.1 The Accounts and Audit (Amendment) (England) Regulations 2006 require the Authority to conduct a review at least once a year of the effectiveness of the system of internal control and to include, with the statement of accounts, a statement of internal control, prepared in accordance with proper practices. Based on revised guidance, this now takes the form of an Annual Governance Statement. The Authority's statement is submitted for approval at **Annex 1** and requires the approval and signature of the Chief Executive and the Chairman of the Authority.

3 Statement of Accounts

3.1 The Statement of Accounts for the Authority comprises:

- an Income and Expenditure account, which shows grants received and the incidence of net expenditure against Best Value Accounting Code of Practice individual service headings;
- a Statement of Movement on the General Fund Balance;
- a Balance Sheet which shows the assets and liabilities accumulated at the year end;
- a Cash Flow Statement which shows the movement of cash;
- a Statement of Total Recognised Gains and Losses;
- Statements of accounting policies.

3.2 This year, the format of the accounts has been amended to reflect new reporting requirements contained in the Statement of Recommended Practice (SORP), which specifies the principles and practices of accounting requirements to prepare the Statement of Accounts which presents 'fairly' the financial position of the Authority.

3.3 In most cases the figures within the major financial statements are backed up by supporting notes to the accounts. However, some further comment and explanation on the accounting treatment of expenditure is included in this report.

3.4 Members may wish to note that page 19 of the statement of accounts sets out the liability position for pensions, which is a point which has been the subject of questions from members. The Authority is not considered to be at risk.

Income and Expenditure Account

- 3.5 In effect, this is the General Fund. Included within the net cost of services of £3.872 million are adjustments for depreciation of fixed assets and pension adjustments. These costs are included to reflect the full cost of service provision for comparison purposes, but are notional accounting adjustments which are subsequently adjusted in the Statement of Movement on the General Fund Balance so as not to affect the actual level of expenditure requiring funding.
- 3.6 The Income and Expenditure Account shows a surplus of £288,000. After adjusting for the reconciling items within the Statement of Movement, the increase in the General Fund balance for the year is £199,000. This is after transferring £31,000 to the Sustainable Development Grants Reserve, £190,000 to a SSSI Restoration Reserve and £26,000 to the Compliance Officer Reserve. The original approved budget for 2007/08 allowed for £602,000 to be transferred from the General Fund Reserve and £110,000 to be transferred from the Sustainable Development Grants Reserve and therefore the overall under-spend for the year was £1.159 million.
- 3.7 A summary of the final out-turn position for 2007/08 in the same format used for budgetary control reports is shown as **Annex 3**. Further details of the final position are shown in paragraph 4 below.

Cash Flow Statement

- 3.8 This statement shows the movement of cash for the year and will differ from figures shown in other statements which have been adjusted for accruals and prepayments.

4 Out-turn for 2007/08

- 4.1 **Annex 3** identifies an underspend of £327,000 from the last approved budget for 2007/08, £220,000 of which was predicted in the April report considered by Resources and Performance Committee. The £327,000 comprises:

	£'000
Employee and related training costs	-13
SSSI Restoration Grant	-190
ICT Infrastructure	-16
Development Control income	-33
Interest	-44
Supplies and Services/Other	-50
Sustainable Development Fund	19
	<hr/>
	-327

- 4.2 In March 2008 the Authority received £190,000 from Natural England for SSSI Restoration works. This report recommends transferring this sum into a specific reserve to meet expenditure to be incurred in 2008/09.
- 4.3 During the year predicted underspends of £160,000 in Sustainable Development Fund expenditure were reported to members who approved transfers of the underspend into the specific Sustainable Development Grants reserve. As outturn expenditure exceeded the last approved budget by £19,000 this report recommends transferring £19,000 back from the reserve. This would result in an overall transfer of £31,000 in the year to the reserve rather than the original budget transfer of £110,000 from it.
- 4.4 After allowing for the net reserve transfers of £171,000, described in paragraphs 4.2 and 4.3, the unallocated surplus from the £327,000 underspend is £156,000, which is proposed to be transferred to the General Fund Reserve.
- 4.5 This year end position is in line with the trends picked up in budget monitoring reports during the year, and reflects the difficulties in spending fully allocations made to projects which depend on factors outside the Authority's control and are likely to be subject to delay. This brings the Authority's unearmarked reserves to £1.933 million, of which £400,000 is required in order to maintain a balance in cases of unexpected spending needs in year, with £1.533 million available to support future general expenditure. This remains an appropriate position, as in the long-term the Authority's spending plans are likely to exceed funding available. These reserves defer the point at which any reduction in budgeted spend will be necessary and enable a smooth transition to take place to lower spending levels when needed. That said, the longer-term position is predicated on spending the current budget in full: should the trend towards underspending recur in 2008/09, it may be appropriate to review longer-term spending plans more radically.
- 5. Treasury management performance and prudential indicators for 2007/08**
- 5.1 **Annex 4** contains the annual Treasury Management Stewardship Report for 2007/08 and the actual prudential indicators, measured against the Strategy approved by members in March 2007 for the financial year 2007/08.
- 5.2 Net Interest earnings for the year amounted to £184,000; the original budget for the year was £120,000.
- 5.3 There were no material issues during the year and members are asked to note the report.

6. Recommendations: To

- 1. Approve the Annual Governance Statement (Annex 1)**
- 2. Approve the Authority's Statement of Accounts for the financial year 2007/08 (Annex 2)**
- 3. Note the final out-turn position for 2007/08 as set out in Annex 3**
- 4. Approve the transfers of £156,000 to the General Fund, £190,000 to the SSSI Restoration Reserve and the transfer of £19,000 from the Sustainable Development Grants Reserve**
- 5. Note the Treasury Management stewardship report and actual prudential indicators for 2007/08 (Annex 4)**