

NEW FOREST NATIONAL PARK AUTHORITY

AUTHORITY MEETING – 25 JUNE 2009

**STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT
FOR FINANCIAL YEAR 2008/09**

Report by: Paul Carey-Kent, Chief Finance Officer

Summary:

1. This report introduces the final accounts for the New Forest National Park Authority for 2008/09, together with the Annual Governance Statement. The presentation of both documents follows the relevant statutory accounting codes of practices and Account and Audit Regulations 2003 and 2006 which apply to local authorities. Both the final accounts and Annual Governance Statement have been approved for the Authority's consideration by Resources and Performance Committee.
2. The Accounts for the year ended 31 March 2009 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 2009.
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 £549,000 against the original budget of £5.548 million, £418,000 of which was predicted in the March 2009 report to Resources and Performance Committee and incorporated in the revised budget.
5. The outturn figure, including £160,000 investment impairment, of £4.159 million is an underspend of £389,000 from the original approved budget of £4.548 million and means that the Authority's year end reserves position is £389,000 greater than predicted when the 2008/09 budget was set.
6. In light of the position detailed in paragraph 4 the report makes a recommendation to members to approve further transfers to and from reserves, as follows:
 - a transfer of £11,605 from the Sustainable Development Grant Reserve. This is due to expenditure being greater than

anticipated in the March report to Committee, when a transfer of £100,000 to the reserve was approved;

- a transfer of £22,000 to the SSSI Restoration Reserve, being the under-spend against earmarked funding of £212,000;
 - an increase of £39,135 in the previously approved transfer of £192,610 from the General Fund Reserve, reflecting the £160,000 investment impairment offset by additional savings identified since the report to Committee in March 2009.
7. The report also includes the annual report on the Treasury management service and actual prudential indicators for 2008/09. This is shown as **Annex 4**.

Recommendations: To

1. **approve the Annual Governance Statement (Annex 1)**
2. **note the final outturn position for 2008/09 as set out in Annex 3**
3. **approve transfers of £39,135 from the General Fund, £22,000 to the SSSI Restoration Reserve and £11,605 from the Sustainable Development Grant Reserve**
4. **approve the Authority's Statement of Accounts for the financial year 2008/09 (Annex 2)**
5. **note the Treasury Management stewardship report and actual prudential indicators for 2008/09 (Annex 4).**

Papers:

NFNPA 305/09:	Cover paper
NFNPA 305/09 Annex 1:	Annual Governance Statement
NFNPA 305/09 Annex 2:	Statement of Accounts 2008/09
NFNPA 305/09 Annex 3:	General Fund Outturn 2008/09
NFNPA 305/09 Annex 4:	Annual report on the Treasury Management Service and Actual Prudential Indicators for 2008/09

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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 2008/09 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**. Both documents have been approved for the Authority's consideration by Resources and Performance Committee.
- 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 on internal control and to include, with the statement of accounts, a statement of internal control prepared in accordance with proper practices. That takes the form of an annual Governance Statement as submitted for approval at **Annex 1**. Members may wish to note that this statement reflects developments in the National Park planning process and consolidation of the arrangements for providing legal and financial support and advice to the Authority. The statement 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 within this report.

Income and Expenditure Account

3.4 In effect, this is the General Fund. Included within the net cost of services of £3.999 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.

- 3.5 The Income and Expenditure Account shows a deficit of £123,000. After adjusting for the reconciling items within the Statement of Movement, the decrease in the general fund balance for the year is £232,000. This is after transferring £88,395 to the Sustainable Development Grants, £22,000 to an SSSI Restoration Reserve and £26,000 from the Compliance Officer Reserve. The original approved budget for 2008/09 allowed for £463,000 to be transferred from the General Fund Reserve and £74,000 to be transferred from Earmarked Reserves and therefore the overall under-spend for the year was £389,000.
- 3.6 A summary of the final out-turn position for 2008/09 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

- 3.7 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 2008/09

- 4.1 **Annex 3** attached identifies an underspend of £131,000 from the last approved budget for 2008/09. This was a close result, which reflected well in Directors' management of budgets. A reduction of £418,000 was made from the original budget for 2008/09 in the March report considered by Resources and Performance Committee. This enabled planned underspends to be utilised to improve the 2009/10 position.
- 4.2 After allowing for the net reserve transfers of £84,395 detailed in paragraph 3.5, the net deficit is £72,000, which is proposed to be transferred from the General Fund Reserve. However, there is also an additional £160,000 relating to an investment impairment. That has been calculated in accordance with Government-approved guidance on how to allow for the likely failure to receive full value from the £0.5 million investment in Heritable Bank. £160,000 is a prudent assessment of the likely loss, and the principle is that the expected reduction in reserves is treated as spending in 2008/09, with a corresponding reduction in the balance sheet value of the asset. That will need to come from the General Fund Reserve, making the total call on the Reserve £232,000. Adjustments will be made subsequently should the actual position prove to be difficult.
- 4.3 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 £1.701 million, of which £400,000 is required in order to maintain a balance in cases of unexpected spending needs in year, with £1.3 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 (utilising the new Programme Fund) enable a smooth transition to take place to lower spending levels when needed. The medium-term planning issues associated with this position are currently under review.

5 Treasury Management performance and Prudential Indicators for 2008/09

- 5.1 **Annex 4** contains the annual Treasury Management Stewardship Report for 2008/09 and the actual prudential indicators, measured against the strategy approved by members in March 2008 for the financial year 2008/09.
- 5.2 Net Interest earnings for the year amounted to £158,000; the original budget for the year was £120,000.
- 5.3 The most significant issue arising during the year was the failure of the Heritable Bank.

6 Recommendations: To:

- 1. **approve the Annual Governance Statement (Annex 1)**
- 2. **note the final outturn position for 2008/09 as set out in Annex 3**
- 3. **approve transfers of £39,135 from the General Fund, £22,000 to the SSSI Restoration Reserve and £11,605 from the Sustainable Development Grant Reserve**
- 4. **approve the Authority's Statement of Accounts for the financial year 2008/09 (Annex 2)**
- 5. **note the Treasury Management stewardship report and actual prudential indicators for 2008/09 (Annex 4).**