



STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED
31 MARCH 2009

NEW FOREST NATIONAL PARK AUTHORITY
STATEMENT OF ACCOUNTS - YEAR ENDED 31ST MARCH 2009

CHAIRMAN OF THE AUTHORITY
Clive Chatters

CHIEF EXECUTIVE Lindsay Cornish

CHIEF FINANCE OFFICER Paul Carey-Kent

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RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

1. The Authority's Responsibilities

The 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. In this Authority, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

2. The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- taken measures to ensure that risk is appropriately managed.

RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

3. The Chief Finance Officer's Certificate

I certify that the statement of accounts presents fairly the financial position of New Forest National Park Authority at 31 March 2009 and the income and expenditure for that year ended.

Paul Carey-Kent – Chief Finance Officer

25 June 2009

4. Approval of the Accounts by the Authority

I confirm that these accounts were approved by members of the Authority at the meeting held on the 25 June 2009.

Clive Chatters – Chairman of the Authority

25 June 2009

EXPLANATORY FOREWORD

1. INFORMATION ON 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.

Responsibility for the Statement of Accounts

This sets out the respective responsibilities of the Authority and the Chief Finance Officer for the accounts.

Statement of Accounting Policies

Discloses the accounting policies used by the New Forest National Park Authority in compiling the financial statements.

Income and Expenditure Account

Discloses the revenue expenditure and income by service for the year ended 31 March 2009.

Balance Sheet

Discloses the financial position of the Authority as at 31 March 2009.

Cash Flow Statement

Discloses the inflows and outflows of cash arising from the activities of the Authority for the year ended 31 March 2009.

Statement of Total Recognised Gains and Losses

This statement brings together gains and losses of the Authority for 2008/2009 and identifies those which are not reported through the Income and Expenditure Account.

Notes to the Accounts

Disclose more detailed information on the figures provided in the Income and Expenditure Account, Balance Sheet, Cash Flow Statement and Statement of Total Recognised Gains and Losses.

EXPLANATORY FOREWORD

2. FINANCIAL PERFORMANCE DURING THE YEAR

▪ Income and Expenditure Account

The original 2008/09 revenue budget was £4.548 million, which was to be financed partly by contributions of £463,000 from the General Fund Reserve and £74,000 from earmarked reserves. Actual net budget underspends of £549,000 enabled actual contributions of £84,000 to be made to earmarked reserves and the contribution from the General Fund Reserve to be reduced to £72,000. However, an investment impairment of £160,000 increased the actual required contribution from the General Fund Reserve to £232,000. The reserve balances will largely be utilised to fund future years' expenditure.

▪ Capital Expenditure

During 2008/09 the Authority incurred capital expenditure of £105,713, which was all funded by a contribution from the General Fund. Expenditure was incurred as follows:

	2007/08	2008/09
	£	£
Computer Hardware	6,759	14,302
Computer Software	25,336	19,861
Other Equipment	23,884	71,550
	55,979	105,713

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 2008: A Statement of Recommended Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The guidance notes issued by CIPFA on the application of accounting standards have also been followed unless otherwise stated.

2. Fixed Assets

Expenditure on fixed assets is capitalised in the accounts on an accruals basis. Only expenditure that benefits the Authority for a period of more than one year is capitalised. This excludes spending on routine repairs and maintenance of fixed assets, which is charged directly to service revenue accounts.

A de minimis level is set for operational assets below which expenditure is not capitalised.

Category of asset	De minimis level
Land and Buildings	£10,000
Infrastructure Assets	£10,000
Community Assets	£10,000
Vehicles, Plant, Fittings and Equipment	£1,000

Fixed assets are valued on the basis recommended by the Statement of Recommended Practice issued by CIPFA, which is based on FRS11 issued by the Accounting Standards Board, and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS):

- Operational, non-specialised properties are valued at existing use value.
- Operational, specialised properties are valued at depreciated replacement cost.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at open market value.
- Assets, such as vehicles, plant and equipment, including intangible assets, are valued at historic cost.

Income from the disposal of fixed assets will be accounted for on an accruals basis. All receipts will be included in the Balance Sheet as Usable Capital Receipts until they are utilised for funding future capital expenditure.

STATEMENT OF ACCOUNTING POLICIES

3. Depreciation

Depreciation charges are accounted for in accordance with the Statement of Recommended Practice issued by CIPFA, which is based on FRS15, issued by the Accounting Standards Board.

Depreciation is provided on operational assets with a finite useful life. All depreciation is charged over the life of the asset, using the straight-line method and is applied from the date the asset is acquired.

The following table indicates the estimated remaining useful life of each type of asset owned by the Authority.

Type of Asset	Remaining Useful Asset Life at 31 March 2009
Tangible Fixed Assets	
Equipment - ICT Hardware	Up to 4 years
- Other Equipment	Up to 5 years
- Major Plant	7 years
- Vehicle	4 years
Premises (temporary building)	3 years
Intangible Assets	
Equipment - ICT Software	Up to 5 Years

The premises will have a longer remaining useful life than three years, but this period has been used in the accounts as the Authority's accommodation may change after this time. The premises will have a residual value after three years, however it may not be retained by the Authority.

4 Investments

The Authority's investments are recorded in the Balance Sheet at fair value. Generally this is the same as the original cost but one loan has been impaired due to partial anticipated default.

5. Interest

Interest income on external lending is accrued and accounted for in the accounts of the period to which it relates.

STATEMENT OF ACCOUNTING POLICIES

6. VAT

All of the amounts in the statement of accounts are shown net of VAT.

7. Foreign Currency Transactions

Any income and expenditure arising from transactions made in foreign currency has been translated into pounds sterling at the exchange rate in operation on the day of the transaction.

8. Pension costs

New Forest National Park Authority's salaried employees and members have their pensions administered through Hampshire County Council's superannuation fund. Detailed regulations govern rates of contribution and scales of benefits, the latter normally being in the form of a lump sum and annual pension.

Under the 2008 Statement of Recommended Practice, the Authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 would have reduced by £3,000, increasing the overall pension deficit by £3,000. The accounts have however not been restated due to the immaterial amount and also that other offsetting assumptions used by the actuary mean that the overall reported pension deficit at 31 March 2009 in these accounts equals that shown in the actuary's report.

The pension scheme is detailed in note 8 to the financial statements.

9. Reserves

The Authority maintains a General Fund Reserve to meet general needs. Other reserves are either statutory or are held to meet specific future expenditure.

10. Debtors and Creditors

The accounts of the Authority are maintained on an accruals basis, in accordance with FRS18 Accounting Policies, i.e. sums due to or from the Authority are included whether or not the cash has actually been received or paid in the year.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. 2007/08 net expenditure figures have been reclassified to be presented in the current Best Value Accounting Code of Practice format.

2007/08			2008/09		
Net Expenditure £		Note	Gross Expenditure £	Income £	Net Expenditure £
253,202	Conservation of the Natural Environment		710,515	(224,971)	485,544
496,988	Conservation of Cultural Heritage		745,420	0	745,420
365,262	Recreation Management and Transport		165,864	0	165,864
688,740	Promoting Understanding		719,160	(188)	718,972
16,276	Rangers, Estates and Volunteers		16,530	0	16,530
591,490	Development Control		1,188,737	(401,075)	787,662
638,135	Forward Planning and Communities		474,827	0	474,827
822,267	Corporate and Democratic Core		671,160	(10)	671,150
3,872,360	Net Cost of Services		4,692,213	(626,244)	4,065,969
896	Interest Payable and Similar Charges	4			624
(185,338)	Interest and Investment Income	4			(158,703)
(2,000)	Pensions Interest Cost and Expected Return on Pension Assets	8			66,000
0	Impairment of Investment	9			159,729
3,685,918	Net Operating Expenditure				4,133,619
(3,973,725)	National Park Grant	10			(4,010,965)
(287,807)	(Surplus)/Deficit for the year				122,654

P Carey-Kent – Chief Finance Officer

25 June 2009

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Authority's performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to apply its National Park Grant on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to the pension fund, rather than as future benefits are earned.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance, including any transfers to/(from) reserves.

2007/08		2008/09
(287,807)	(Surplus)/Deficit for the year on the Income and Expenditure Account	122,654
88,539	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	109,091
(199,268)	(Increase)/Decrease in the General Fund Balance for the year	231,745
(1,733,277)	General Fund Balance brought forward	(1,932,545)
(1,932,545)	General Fund Balance carried forward	(1,700,800)
(1,932,545)	Amount of General Fund Balance generally available for new expenditure	(1,700,800)

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08		2008/09
£		£
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year	
(100,497)	Depreciation and Impairment of Fixed Assets	(112,017)
(522,000)	Net charges made for retirement benefits in accordance with FRS17	(363,000)
(622,497)		(475,017)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for the year	
55,979	Capital expenditure charged in year to the General Fund	105,713
408,000	Employer's contributions payable to the HCC Pension Fund	394,000
463,979		499,713
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
247,057	Net transfer to/from(-) earmarked revenue reserves	84,395
88,539	Net additional amount required to be (credited)/debited to the General Fund Balance for the year	109,091

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The following statement brings together all the recognised gains and losses of the Authority for the year and shows the aggregate increase in its net worth.

2007/08		2008/09
£		£
(287,807)	(Surplus)/Deficit for the year on the Income and Expenditure Account	122,654
0	(Surplus)/Deficit arising from the revaluation of fixed assets	0
487,000	Actuarial (gains)/losses on pension fund assets and liabilities	1,378,000
199,193	Total Recognised (Gains)/Losses for the Year	1,500,654

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

2007/08		Notes	2008/09	
£	£		£	£
REVENUE ACTIVITIES				
Cash Outflows				
2,883,555		Cash paid to and on behalf of employees	2,733,578	
1,846,135	4,729,690	Other operating cash payments	2,375,109	5,108,687
Cash Inflows				
(3,973,725)		National Park Grant	(4,010,965)	
(457,494)	(4,431,219)	Cash received for goods and services	(831,244)	(4,842,209)
	298,471			266,478
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
896		Interest paid	624	
Cash Inflows				
(150,521)	(149,625)	Interest received	(176,072)	(175,448)
CAPITAL ACTIVITIES				
Cash Outflows				
55,979		Purchase of fixed assets	105,713	
0		Acquisition of Long Term Investments	299,327	
Cash Inflows				
(39,413)	16,566	Developers' Contributions received	(104,839)	300,201
	165,412	Net cash (inflow)/outflow before financing		391,231
MANAGEMENT OF LIQUID RESOURCES				
	(200,000)	Net increase/(decrease) in liquid resources		(368,103)
FINANCING				
Cash Outflows				
425,000		Repayments of amounts borrowed	450,000	
Cash Inflows				
(425,000)	0	New short term loans	(450,000)	0
	(34,588)	Net (increase)/decrease in cash		23,128

NOTES TO THE FINANCIAL STATEMENTS

1. Best Value Accounting Code of Practice (BVACOP)

The Income and Expenditure Account analyses the expenditure and income of the Authority in the format set out in the BVACOP for National Park Authorities.

2. Publicity and Advertising

Section 5(1) of the Local Government Act 1986 requires the National Park Authority to declare the amount of money spent on publicity. Publicity and promotions includes leaflets promoting attractions to visit the Park, the visitor newspaper and public relations costs.

	2007/08	2008/09
	£	£
Advertising staff vacancies	12,023	39,975
Publicity and promotions	142,982	127,215
Other advertising	0	0
	155,005	167,190

3. Employee Remuneration

The number of employees whose remuneration, excluding pension contributions, fell in each £10,000 band over £50,000 was:

Remuneration Band	Number of Employees 2007/08	Number of Employees 2008/09
£90,000 - £99,999	1	1
£80,000 - £89,999	0	0
£70,000 - £79,999	0	1
£60,000 - £69,999	2	1
£50,000 - £59,999	0	3

4. Interest Payable/Interest and Investment Income

These items represent the gross interest payable and receivable on all investments, cash flow borrowings and other transactions.

NOTES TO THE FINANCIAL STATEMENTS

5. Members' Allowances

During 2008/09, payments to members of the National Park amounted to £56,762. This sum includes all allowances plus travel and subsistence payments.

6. Audit Costs

The New Forest National Park Authority incurred the following fees relating to external audit:

	2007/08	2008/09
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	26,392	22,400
Fees payable to the Audit Commission for the certification of grant claims	1,500	1,470
Fees payable in respect of other services provided by the appointed auditor	0	0
	27,892	23,870

7. 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 limit another party's ability to bargain freely with the Authority.

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Details of transactions with government departments are set out in this document.

Both Hampshire County Council and New Forest District Council provide financial and other support services to the Authority.

There were no material transactions with any chief officers, members or any other related parties during the year.

NOTES TO THE FINANCIAL STATEMENTS

8. Pensions

a) Transactions relating to Retirement Benefits

As part of the terms and conditions of employment the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Hampshire County Council Pension Fund. This is a funded deferred benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid out as pensions. However the charge required to be made against the General Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account within the Statement of Movement on the General Fund balance. The following transactions have been made in the General Fund during the year:

General Fund Transactions	2007/08	2008/09
	£	£
Income and Expenditure Account		
Net Cost of Service		
Current service cost	374,000	239,000
Past Service Cost	150,000	58,000
Net Operating Expenditure		
Interest Cost	92,000	267,000
Expected return on assets in the scheme	(94,000)	(201,000)
Net Charge to the Income and Expenditure Account	522,000	363,000
Statement of Movement on the General Fund Balance		
Movement on pensions reserve	(114,000)	31,000
Actual amount charged against the General Fund		
Employers' contributions payable to the scheme	408,000	394,000

New Forest National Park's standard contribution rate in 2008/09 was 18.1% of members' pay. The contribution rate also certified at the 31 March 2007 valuation for April 2009 to March 2010 is 18.6% of members' pay.

NOTES TO THE FINANCIAL STATEMENTS

In 2008/2009 the National Park paid an employer's contribution of £394,000 into the Hampshire County Council Pension Fund.

In addition to the recognised gains of £31,000 (£114,000 losses in 2007/08) included in the Income and Expenditure Account, actuarial losses of £1,378,000 (£487,000 in 2007/08) are included in the Statement of Total Recognised Gains and Losses.

b) Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

Assets and Liabilities	31 March 2006	31 March 2007	31 March 2008	31 March 2009
	£	£	£	£
Estimated liabilities in scheme	(718,000)	(1,472,000)	(3,734,000)	(4,928,000)
Estimated assets in scheme	521,000	1,208,000	2,869,000	2,716,000
Net asset/(liability)	(197,000)	(264,000)	(865,000)	(2,212,000)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total net liability of £2,212,000 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. The increase in liability compared with 31 March 2008 reflects two main factors: changes in the actuarial assessment of liabilities in the scheme, based on the Authority's own employees and reflecting the build-up of service and associated liabilities in a recently set up body and also the trend towards longer life expectancy; and the reduction in assets in the scheme reflecting changes in stock market evaluation. That said, the Authority is part of the much larger Hampshire County Council administered fund, and its position as an individual Authority is not significant from the point of view of overall scheme viability. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

In accordance with the revised FRS17, the assets for the current period are measured at current bid price, whereas in previous years they were valued at mid-market values. The impact of restating the figures for the year ended 2008, as required by FRS17, would be to reduce the asset value by £3,000. This has not been reflected due to the immaterial impact and as other assumptions made by the actuary offset this amount leaving a net liability of £2,212,000, in accordance with the latest actuarial valuations.

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Present Value of the Scheme Liabilities

	2007/08	2008/09
	£	£
1 April	(1,472,000)	(3,734,000)
Current Service Cost	(374,000)	(239,000)
Interest Cost	(92,000)	(267,000)
Contributions by Participants	(111,000)	(136,000)
Actuarial Gains/(Losses) on Liabilities	(1,569,000)	(533,000)
Net Benefits Paid Out	34,000	39,000
Past Service Costs	(150,000)	(58,000)
31 March	(3,734,000)	(4,928,000)

Reconciliation of Fair Value of the Scheme Assets

	2007/08	2008/09
	£	£
1 April	1,209,000	2,869,000
Expected Return on Assets	94,000	201,000
Actuarial Gains/(Losses) on Assets	1,081,000	(845,000)
Contributions by the Employer	408,000	394,000
Contributions by Participants	111,000	136,000
Net Benefits Paid Out	(34,000)	(39,000)
31 March	2,869,000	2,716,000

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on assets in the year was a loss of £644,000 (2007/08 gain was £1,175,000).

c) Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hewitt Associates Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 1 April 2007.

NOTES TO THE FINANCIAL STATEMENTS

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2008	31 March 2009
	%	%
Rate of inflation	3.7	3.7
Rate of increase in salaries	5.2	5.2
Rate of increase in pensions	3.7	3.7
Rate of increase in deferred pensions	3.7	3.7
Rate for discounting scheme liabilities	6.8	6.4

Mortality Assumptions	31 March 2008	31 March 2009
	Years	Years
Future lifetime from age 65 (currently aged 65)		
Males	21.3	22.2
Females	23.4	24.2
Future lifetime from age 65 (currently aged 45)		
Males	23.2	24.5
Females	24.6	26.4

31 March 2008			Assets	31 March 2009		
£	%	Long- Term Return %		£	%	Long- Term Return %
1,778,780	62	7.6	Equities	1,499,230	55	7.0
745,940	26	4.6	Government Bonds	744,190	28	4.0
0	0	6.8	Corporate Bonds	105,920	4	5.8
172,140	6	6.6	Property	198,270	7	6.0
172,140	6	6.0	Other Assets	168,390	6	1.6
		6.7	Average			5.7
2,869,000	100		Total	2,716,000	100	

The Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2009.

NOTES TO THE FINANCIAL STATEMENTS

d) History of Experience Gains and Losses

The actual gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories:

	31 March 2006	31 March 2007	31 March 2008	31 March 2009
	£	£	£	£
Experience gains/(losses) on assets	34,000	(1,000)	1,081,000	(845,000)
Experience gains/(losses) on liabilities		0	(1,970,000)	(1,000)
Liability gains/(losses) due to assumption changes	(69,000)	9,000	402,000	(532,000)
Total Actuarial Gain/(Loss)	(35,000)	8,000	(487,000)	(1,378,000)

e) Movement in the Pensions Reserve

2007/08	Pensions Reserve	2008/09
£		£
(264,000)	Net Liability at 1 April	(865,000)
	Movement in year:	
	Operating Charge	
(374,000)	Current Service Costs	(239,000)
(150,000)	Past Service Costs	(58,000)
	Contributions	
408,000	Cash paid - Funded Liabilities	394,000
	Finance Income	
94,000	Expected Return on Assets	201,000
(92,000)	Interest on Liabilities	(267,000)
(487,000)	Actuarial Gain/(Loss)	(1,378,000)
(865,000)	Net Liability at 31 March	(2,212,000)

NOTES TO THE FINANCIAL STATEMENTS

9. Impairment

The value of each asset is reviewed at the end of each year for evidence of reductions in value. Where impairment is identified the loss is generally charged to the relevant revenue account or written off against any revaluation gains in the revaluation reserve.

In 2008/09 an impairment of a financial instrument occurred when an Icelandic bank defaulted on its debt repayment. Although it is anticipated that 80% of the amounts due will be recovered, an anticipated loss of £159,729 (£143,776 principal and £15,953 interest) has been included in the Income and Expenditure account.

10. Grant Income

New Forest National Park Authority received Parliament approved grant of £4,010,965 from the Department for the Environment, Food and Rural Affairs.

11. Fixed Assets

a) Valuation of Fixed Assets

The premises asset was initially valued on 31 March 2006 and has been revalued each year since, with the last valuation on 31 March 2009. All valuations were completed by the New Forest District Council's internal valuer, R Edwardes-Jones (FRICS). They were completed in accordance with the principles of the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, as agreed with the Chartered Institute of Public Finance and Accountancy (CIPFA) in 1996. All information was obtained from site inspection.

Vehicles, plant and equipment assets and intangible assets are valued at historic cost and are depreciated over the estimated lives of the individual items.

NOTES TO THE FINANCIAL STATEMENTS

b) Valuation of assets carried at Current Value

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The basis for valuation is set out in the statement of accounting policies.

	Valued at Historic Cost	Valued at Current value in 2005/06	Change in value in 2006/07	Change in value in 2007/08	Change in value in 2008/09	Total
	£		£	£	£	£
Land and Buildings		165,000	(37,000)	(30,500)	(24,300)	73,200
Vehicles, Plant and Equipment	221,875					221,875
Intangible Assets	237,667					237,667
Total	459,542	165,000	(37,000)	(30,500)	(24,300)	532,742

These valuations show the gross current value before depreciation is applied.

c) Movements in Assets during the year

Movements in Fixed Assets	Land & Buildings	Plant & Equipment	Intangible Assets	Total
	£	£	£	£
Certified valuation at 31 March 2008	97,500	136,023	217,806	451,329
Accumulated depreciation and impairment		(54,859)	(80,144)	(135,003)
Net book value of assets at 31 March 2008	97,500	81,164	137,662	316,326
Movement in 2008/09				
Additions		85,852	19,861	105,713
Revaluations and Adjustments				
Disposals				
Impairment	(24,300)			(24,300)
Depreciation		(42,518)	(45,199)	(87,717)
Net book value of assets at 31 March 2009	73,200	124,498	112,324	310,022

NOTES TO THE FINANCIAL STATEMENTS

d) Analysis of Assets

The following list shows the range and number of assets owned by the Authority.

	2007/08	2008/09
Administration Building	1	1
Vehicle	0	1
Plant	1	1
Other Equipment	5	13
ICT Hardware	84	108
ICT Software	5	7

e) Intangible Assets

The intangible assets comprise wholly of computer software and software licences. These are recorded at historic cost and are depreciated over their lives (estimated at 5 years) on a straight-line basis, commencing from date of acquisition. The depreciation charged for intangible assets in 2008/09 was £45,199.

12. Capital Expenditure and Financing

Capital expenditure may be financed in various ways, including borrowing, the use of internal resources, the receipt of grants or contributions and directly from revenue income.

A requirement of capital accounting is that the Capital Financing Requirement (CFR) needs to be calculated. The CFR shows the overall indebtedness of the Authority. The Authority has no debt, as the Authority's capital expenditure has been fully financed from the revenue account.

This table sets out the transactions required for the financing of capital expenditure for 2008/09.

	2007/08	2008/09
	£	£
Opening Capital Financing Requirement	0	0
Capital Investment		
Operational Assets	30,643	85,852
Intangible Assets	25,336	19,861
Sources of Finance		
Revenue Provision	(55,979)	(105,713)
Closing Capital Financing Requirement	0	0

NOTES TO THE FINANCIAL STATEMENTS

13. Debtors and Payments in Advance

An analysis of the Authority's debtors and payments in advance as at 31 March is shown below. It relates to sums of money owed to the Authority for goods and services supplied during the year, but not paid for by 31 March, or where the Authority has paid for goods and services in advance of this date but where service provision is not receivable until the next financial year.

	2007/08	2008/09
	£	£
HM Revenues and Customs	56,508	53,594
Payments in Advance	33,837	84,275
Accrued Interest Receivable	49,358	16,036
Other Debtors	198,700	14,821
	338,403	168,726

14. Stock

At 31 March 2009 the Authority held goods for resale with a value of £186.

15. Current Liabilities

An analysis of the Authority's current liabilities as of 31 March is shown below. It relates to sums of money owed by the Authority for goods and services received during the year, but not paid for by 31 March, or where the Authority has been paid for goods and services in advance of this date but where service provision is not due until the next financial year.

	2007/08	2008/09
	£	£
New Forest District Council	247,443	15,575
Hampshire County Council	63,938	44,412
Other creditors and receipts in advance	323,783	355,821
Bank Overdraft	0	17,802
	635,164	433,610

NOTES TO THE FINANCIAL STATEMENTS

16. Capital Adjustment Account

This account records the financing of capital expenditure from sources other than loan.

Capital Adjustment Account	2007/08	2008/09
	£	£
Balance 1 April	(360,844)	(316,326)
Depreciation Charge	69,997	87,717
Impairment Charge	30,500	24,300
Financing of Capital Expenditure from Revenue Resources	(55,979)	(105,713)
Balance 31 March	(316,326)	(310,022)

17. Revaluation Reserve

The Revaluation Reserve was a new requirement in 2007/08. As there have been no revaluation gains in 2007/08 or 2008/09 the balance on the account remains as zero.

NOTES TO THE FINANCIAL STATEMENTS

18. Reconciliation of Surplus for the Year to Net Cash Inflow from Revenue Activities

This statement reconciles the net surplus or deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow in the Cash Flow Statement.

	2007/08	2008/09
	£	£
Revenue Deficit/(Surplus) for the year	(287,807)	122,654
Non Cash Transactions		
Depreciation and Impairment of Fixed Assets	(100,497)	(112,017)
Additional retirement charges in accordance with FRS17	(114,000)	31,000
Items in Income and Expenditure Account relating to another section of the cash flow		
Interest Received	150,521	176,072
Interest Paid	(896)	(624)
Accruals:		
Increase/(Decrease) in debtors	111,380	(169,677)
(Increase)/Decrease in creditors	539,298	219,356
Increase/(Decrease) in stocks	472	(286)
Net cash inflow from revenue activities	298,471	266,478

19. Movement of Cash

This table shows the movement in cash in hand and at the bank during the year.

	At 1 April 2008	Cash change in year	At 31 March 2009
	£	£	£
Cash in hand	143	26	169
Cash in bank / (overdraft)	5,352	(23,154)	(17,802)
	5,495	(23,128)	(17,633)

NOTES TO THE FINANCIAL STATEMENTS

20. Contributions Deferred

This account reflects developers' contributions received that will be released to finance future years capital expenditure.

	2007/08	2008/09
	£	£
Balance 1 April	(16,783)	(56,196)
Contributions Received	(39,413)	(104,839)
Contributions Released	0	0
Balance 31 March	(56,196)	(161,035)

21. Financing and Management of Liquid Resources

This table shows the movement in temporary investments during the year.

	Balance at 1 April 2008	Movement in year	Balance at 31 March 2009
	£	£	£
Temporary Investments	2,750,000	(368,103)	2,381,897
	2,750,000	(368,103)	2,381,897

22. Movement in General Fund Reserve

The Authority retains a General Fund Reserve to cover contingencies and unforeseen expenditure. This table shows the movement in the year. The balance will largely be used to fund future years' expenditure.

	Balance at 1 April 2008	Net Movement in year	Balance at 31 March 2009
	£	£	£
General Fund	(1,932,545)	231,745	(1,700,800)
Total	(1,932,545)	231,745	(1,700,800)

NOTES TO THE FINANCIAL STATEMENTS

23. Movement in Earmarked Reserves

The Authority has created a number of earmarked reserves to cover expenditure in future years. This table details those reserves and their movement during the year.

	Balance 1 April 2008	Net Movement in year	Balance 31 March 2009
	£	£	£
Sustainable Development	(189,330)	(88,395)	(277,725)
Local Development Framework	(65,000)		(65,000)
Donations	(135)		(135)
Compliance Officer	(26,000)	26,000	0
SSSI Restoration	(190,000)	(22,000)	(212,000)
Total	(470,465)	(84,395)	(554,860)

24. Long-Term Investments

Money Market Investment

The Authority is permitted to lend a proportion of its funds for more than 364 days. At 31 March 2009 the Authority had made no decision to lend funds on a long term basis. However, because the Icelandic bank in default has announced payments over periods of greater than 364 days from 31 March 2009 these deferred amounts are now classified as long-term investments.

	31 March 2008	31 March 2009
	£	£
Money Market Investments	0	299,327

NOTES TO THE FINANCIAL STATEMENTS

25. Financial Instruments Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2008 £	31 March 2009 £	31 March 2008 £	31 March 2009 £
Financial liabilities at amortised cost	0	0	0	0
Total Borrowings	0	0	0	0
Loans and Receivables	0	299,327	2,750,000	2,381,897
Accounting Adjustment	0	0	0	0
Loans and receivables at amortised cost	0	299,327	2,750,000	2,381,897
Financial Assets at fair value through the I&E a/c	0	0	0	0
Total Investments	0	299,327	2,750,000	2,381,897

The balances for 31 March 2009 include the anticipated figures relating to the impaired investment with the Icelandic bank in default.

26. Allowance for Credit Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Recognised Gains and Losses in relation to financial instruments are set out in the table below.

Any impairment of a financial asset is to be reflected in the carrying amount with the impairment loss being charged to the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS

In October 2008 an investment was held with an Icelandic bank which failed. Guidance from CIPFA has recommended that a recovery figure of 80% be used to calculate an impairment figure for inclusion in the Income and Expenditure Account.

	2007/08		2008/09	
	Financial Liabilities – amortised cost £	Loans and Receivables £	Financial Liabilities – amortised cost £	Loans and Receivables £
Interest Expense	896		624	
Impairment Losses		0		159,729
Interest Income		(185,338)		(158,703)
Net Gain/(Loss) for the year	896	(185,338)	624	1,026

27. Key Risks

As with any organisation, the Authority's activities expose it to a variety of financial risks in the application of financial instruments. The Authority does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

NOTES TO THE FINANCIAL STATEMENTS

28. Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Authority's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Authority's annual budget setting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to the members.

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

NOTES TO THE FINANCIAL STATEMENTS

29. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate financial average cumulative default rates (including financial organisations) for the period 1990 – 2007 for investments of up to 5 years.

Deposits with banks and financial institutions:	Amount at 31 March 2009 £	Historical experience of default %	Market Conditions at 31 March 2009 %	Estimated maximum exposure to default £
AAA rated counterparties	0	0.00%	0.00%	0
AA rated counterparties	875,000	0.06%	0.06%	525
A rated counterparties	500,000	0.65%	0.65%	3,250
Other counterparties	1,306,224	0.65%	0.65%	8,490
Bonds – AAA rates	0	0.00%	0.00%	0
Trade Debtors	168,726	0.85%	0.85%	1,434
Total	2,849,950			13,699

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Authority maintains strict credit criteria for investment counterparties.

The Authority also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances investments held have been classified as "other counterparties".

In October 2008 the Icelandic banking sector defaulted on its obligations. The Authority had £500,000 invested in this sector at that time. In accordance with accounting practice the Authority has been notified of objective evidence that impairment has occurred and the investment has been impaired according to accounting requirements.

The investment with the Icelandic bank in default is shown at its impaired value within the category for "other counterparties".

NOTES TO THE FINANCIAL STATEMENTS

The Authority does not generally allow credit for its trade debtors, such that all of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2008	31 March 2009
	£	£
Less than three months	338,403	168,726
Three months to one year	0	0
More than one year	0	0
Total	338,403	168,726

Collateral – During the reporting period the Authority held no collateral as security.

30. Liquidity Risk

The Authority manages its liquidity position through the risk management procedures set out in note 28 (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), and through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

In the event of an unexpected cash requirement the Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

31. Refinancing and Maturity Risk

The Authority maintains an investment portfolio. Whilst the cash procedures set out in earlier notes are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer financial assets.

The approved prudential indicator limits investments placed for greater than one year in duration and are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

NOTES TO THE FINANCIAL STATEMENTS

The Authority has no longer term financial liabilities. The maturity analysis of financial assets is as follows:

	31 March 2008	31 March 2009
	£	£
Less than one year	2,750,000	2,381,897
Between one and two years	0	136,943
Between two and three years	0	67,704
More than three years	0	94,680
Total	2,750,000	2,681,224

The cash flow expectations, in relation to the investment with the Icelandic bank in default, are reflected in the phasing of repayments identified in the table above.

32. Market Risk

Interest rate risk – The Authority is exposed to interest rate movements on its investments. Movements in interest rates have an impact on the Authority. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowing at variable rates – the interest charged to the Income and Expenditure Account will rise. This Authority undertook a limited amount of very short-term cash flow borrowing in 2008/09 and as such this can be classed as variable borrowing rates;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account would rise; and
- Investments at fixed rates – the fair value of the assets would fall for tradeable investments. Where investments are straight forward fixed rate investments the investment will be valued at amortised cost, effectively the principal investment, and the interest is credited to the Income and Expenditure Account. Where investments have short maturity periods the effect will be similar to that for variable rate investments as the replacement investments would generate more income to the Income and Expenditure Account.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and directly effect the General Fund Balance pound for pound. Movements in the fair value of any fixed rate investments that have a quoted market price will be reflected in the Statement of Recognised Gains and Losses, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS

The Authority has a number of strategies for managing interest rate risk. The annual treasury management strategy draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£
Increase in interest payable on variable rate borrowings	119
Increase in interest receivable on variable rate investments	(25,133)
Impact on Income and Expenditure Account	(25,014)

	£
Increase in fair value of fixed rate investment assets	0
Impact on Statement of Recognised Gains and Losses	0

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in note 33 – Fair value of Assets and Liabilities carried at Amortised Costs.

Price Risk – The Authority has no equity shares or shareholdings. It therefore has no exposure to loss arising from movements in share prices.

Foreign Exchange Risk – The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

33. Fair value of Assets and Liabilities carried at Amortised Cost

The Authority has no financial liabilities. Financial assets are represented by loans and receivables and are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

NOTES TO THE FINANCIAL STATEMENTS

For loans receivable prevailing benchmark market rates have been used to provide the fair value.

No early repayment or impairment is recognised other than the impairment issues with the Icelandic bank in default.

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2008		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Money Market Investments shorter than 1 year	2,750,000	2,750,000	2,381,897	2,381,897
Money Market Investments longer than 1 year	0	0	299,327	299,327
Bonds	0	0	0	0
Trade Debtors	338,403	338,403	168,726	168,726
Total Loans and Receivables	3,088,403	3,088,403	2,849,950	2,849,950

Any differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher/lower than the prevailing rate estimated to be available at 31 March. This increases/decreases the fair value of loans and receivables.

These fair values have been calculated by using comparative market rates prevailing at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

34. Authorisation of Accounts for issue

Following the principles of FRS 21 Events after the Balance Sheet date, this Statement of Accounts is authorised for issue on 25 September 2009.

New Forest National Park Authority
General Fund Outturn 2008/09

	1	2	3	4
	Original Budget	Current Approved Budget	Actual	Variation
	£'000	£'000	£'000	£'000
Planning	-14	-149	-180	-31
Conservation, Recreation and Sustainable Development	669	473	352	-121
Information and Visitor Services	310	308	305	-3
Member Services	77	84	78	-6
Secretariat	67	67	61	-6
Corporate Services	53	30	28	-2
Information Technology	151	151	151	0
Central Overheads	486	529	508	-21
Accommodation	248	250	243	-7
Salaries	2,621	2,621	2,611	-10
Unallocated Savings	0	-104	0	104
Service Expenditure	4,668	4,260	4,157	-103
Investment and Interest Income	-120	-130	-158	-28
Net Expenditure	4,548	4,130	3,999	-131
National Park Grant	-4,011	-4,011	-4,011	0
Transfer to (from) Specific Reserve	-74	74	84	10
Transfers to (from) General Reserve	-463	-193	-72*	121
TOTAL REVENUE	0	0	0	0

*Increased to £232,000 due to £160,000 investment impairment.