NEW FOREST
NATIONAL PARK

FINANCIAL REPORT

FOR THE YEAR ENDED
31 MARCH 2012

NEW FOREST NATIONAL PARK AUTHORITY

FINANCIAL REPORT - YEAR ENDED 31 MARCH 2012

CHAIRMAN OF THE AUTHORITY
Julian Johnson

CHIEF EXECUTIVE Alison Barnes

CHIEF FINANCE OFFICER Bob Jackson, CPFA

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EXPLANATORY FOREWORD

Introduction

The purpose of this foreword is to provide a clear and understandable guide to the most significant matters reported in the financial statements.

Accounting Policies and Comparative Information

The accounting policies, on which the figures in the financial statements are based, are set out in Note 1 (p 24) immediately following the financial statements.

These were significantly affected in the last financial year following the adoption of International Financial Reporting Standards (IFRS's); however no further changes have been identified for 2011/12.

It should also be noted that the re-stated comparators, required during the adoption of IFRS in 2010/11, are no longer required or shown this year.

The 2011/12 statements have, for the first time, been rounded to the nearest thousand pounds and therefore the comparative information from 2010/11 has been amended likewise. Where more accurate figures are required or suggested by the relevant best practice (applies in a number of the notes), the figures are still shown to the pound.

Economic Context

The current economic situation is still fragile and most commentators agree that growth is likely to be relatively slow in the medium term. Significant reductions have been made in public sector spending and investment to ease the budget deficit. This trend is likely to continue for the foreseeable future as the Government's intention is to wipe out the current budget deficit by the end of the Parliament.

In the Comprehensive Spending Review, the Government set out its spending plans for the four years covering 2011/12 – 2014/15. In real terms, the central government (Department for Environment, Food and Rural Affairs) support for National Park Authorities was cut by 34% over this period. The Defra grant in 2011/12 was £3.812m (compared with £4.228m for the previous year) and is currently projected to fall to £3.595m in 2012/13. The Government also froze public sector pay up until the end of 2011/12 and has said that it intends to limit any increases to 1%pa for some time after that.

Inflation (Consumer Prices Index) peaked at 5.2% in September 2011 but has been steadily falling since; it is now expected to fall below 2% over the next two years. The Bank of England base rate has remained constant at 0.5% despite many analysts previously projecting a rise towards the end of the 2011/12 financial year. With continuing poor GDP growth and troubles within the EU, the timing or extent of any interest rate moves is now far from certain. This directly impacts on the Authority's ability to support its budget in the medium term through investment income.

Within the economic climate, this Financial Report gives a snapshot of the Authority's financial performance up to 31 March 2012. However it should also be noted that the Authority has a robust Medium-Term Financial Plan in place and a prudent level of reserves; these give the Authority the time and flexibility to meet the pressures that it faces. The first stage of the future planning process ('*Planning for the Future'*) was extremely successful, identifying over £1m of savings from the projected Authority budgets. The consequence of this was that there is no call on the General Fund Reserve for 2011/12 and none projected for 2012/13.

Financial Performance

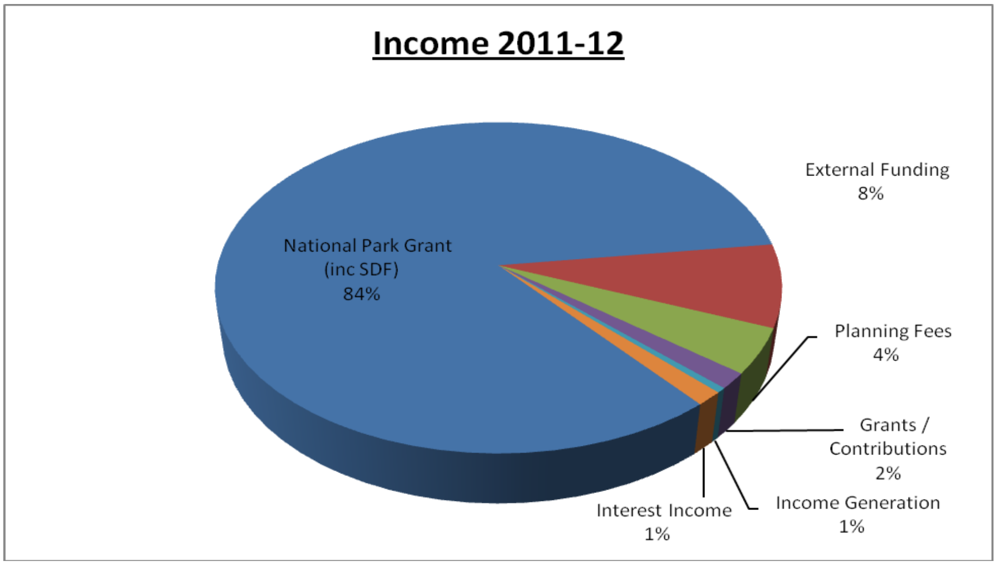
The latest 2011/12 revenue budget was £5.233m, which was to be financed partly by a contribution of £11,000 from the General Fund Reserve.

The actual expenditure budget saving at year-end was £21,000 but this was netted off by £8,000 due to a small income shortfall. The net variance of £13,000 meant a £2,000 contribution was made to the General Fund Reserve. Additionally, £37,000 was also added to the Reserve from an increased projected return on the Icelandic investment, giving a total contribution of £39,000 to the General Fund Reserve. The reserve balance will largely be utilised to fund future years' expenditure.

	Budgeted	Actual	Variance
	£000	**£000**	**£000**
Net Revenue Budget	**5,233**	**5,220**	**(13)**
Icelandic Investment	**0**	**(37)**	**(37)**
Contribution (to)/from General Fund Reserve	**11**	**(39)**	**(50)**

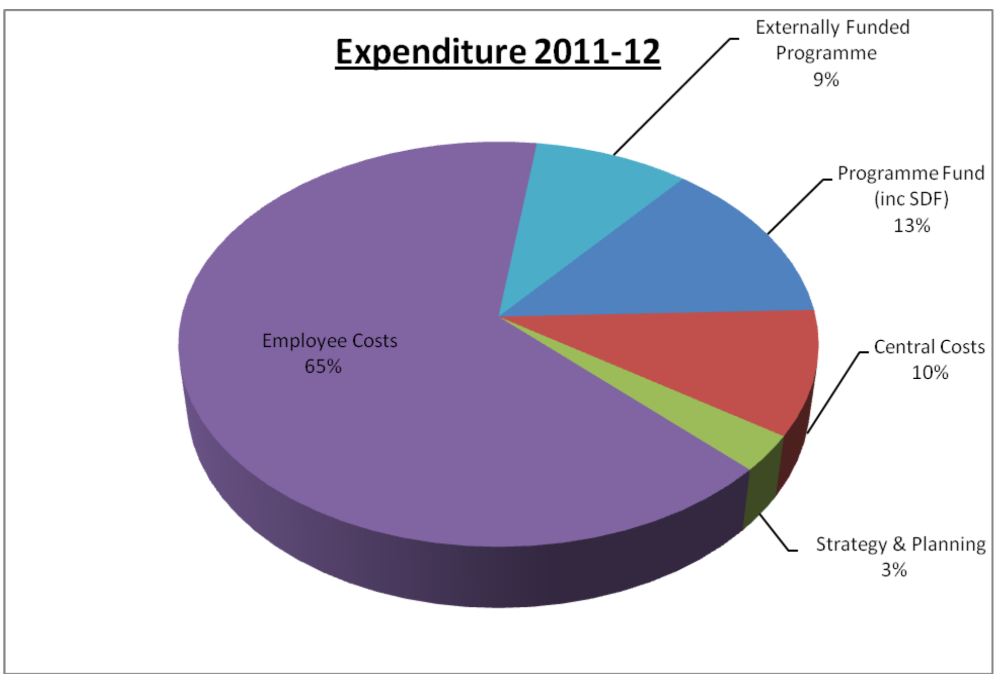
The budget figures above include £674,000 of income and expenditure related to the move to a new HQ at Lymington Town Hall in November 2011 (funded through a specific Defra grant and a small transfer from Reserves).

This chart shows the income generated by the Authority in 2011/12 (not including the one-off HQ grant):



The Authority is heavily reliant on its core Defra grant (£3.812m), making up 84% of total income. The Authority also generated £367,000 in external funding, £202,000 in planning fees, £71,000 in grants and £63,000 in interest income.

This chart shows the expenditure of the Authority in 2011/12 (again excluding the one-off HQ project):



A significant proportion of the Authority's expenditure (65%) is for front-line and back-office staffing; this figure not only includes direct salaries, on-costs (National Insurance & Pensions) and expenses but also costs such as HR and ICT support. The Authority also spent £591,000 on its Programme Fund and Sustainable Development Fund projects, as well as other the significant external and grant funding it generated this year. The Authority's core running costs make up 10% of the total expenditure.

General and Earmarked Reserves

The Authority's General Fund Balance is currently £1.396 million, with a further £440,000 in other earmarked revenue reserves.

From the General Fund Reserve, £400,000 is currently set aside as the minimum reserve level and a further £300,000 for unexpected costs such as planning appeals. Furthermore, the Medium-Term Financial Plan, as agreed in March 2012, sets out the use of around £459,000 of the Reserves in the period from 2013/14 – 2014/15 to reduce the impact of the funding cuts on the important work of the Authority (no contribution was expected to be required in 2012/13). This leaves a remaining usable balance on the Reserve of around £237,000.

The Authority's reserves policy will be fully reviewed during the 2012/13 financial year.

Capital Spending

During 2011/12 the Authority incurred capital expenditure of £881,000 funded by capital grants, developers' contributions and a contribution from the General Fund. Expenditure was incurred as follows:

	2010/11	**2011/12**
Expenditure:	**£000**	**£000**
Computer Hardware	45	2
Computer Software	33	30
Other Equipment	65	23
Office Relocation	0	672
Open Spaces	0	4
Grant to External Body	309	150
Rounding	1	0
	453	**881**
Financed by:		
Revenue Contributions to Capital	(112)	(55)
Developers Contributions	0	(4)
Capital Grants and Contributions	(341)	(822)
	(453)	**(881)**

Pension Scheme Assets and Liabilities

The pension liability is based on an actuarial valuation and represents the benefits that have been accrued by members of the local government pension scheme.

The Authority's Balance Sheet shows a net pension liability of £3.680m, deriving from assets valued at £4.695m compared to a liability estimated at £8.375m. Whilst this has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, 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 working lives of employees.

The net pension liability has increased by £713,000 from 31 March 2011 (compared to a fall of £44,000 the previous year). The 2011/12 Comprehensive Income and Expenditure Account includes a debit of £296,000 for current and past service pension cost, compared with a credit of £781,000 for 2010/11.

The Government is currently conducting a wide-ranging review of public sector pensions which may require some cost sharing with employees and remodelled benefits for those who receive future pensions from the scheme.

Financial Statements

The financial statements and their purpose are summarised as follows:

- **Comprehensive Income and Expenditure Statement (page 19)**
  This statement discloses the revenue expenditure and income by service for the year ended 31st March 2012. The statement shows the true economic (accounting) cost of providing those services, prior to any statutory amounts required to be charged through the accounts (which are shown in the Movement in Reserves Statement).

- **Balance Sheet (page 20)**
  The Balance Sheet discloses the financial position of the Authority as at 31st March 2012. The net assets of the Authority (its assets less liabilities) are matched by reserves held by the Authority.

- **Movement in Reserves Statement (page 21-22)**
  This statement discloses the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those than can be applied to fund expenditure) and other reserves.

- **Cash Flow Statement (page 23)**
  The Cash Flow Statement discloses the inflows and outflows of cash arising from the activities of the Authority for the year ended 31st March 2012.

- **Notes to the Accounts (pages 24-73)**
  The Notes disclose more detailed information on the figures provided in the Comprehensive Income and Expenditure Account, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement. Note 1 discloses the accounting policies used by the National Park Authority in compiling the financial statements.

Bob Jackson, CPFA
Chief Finance Officer
27th September 2012

STATEMENT OF RESPONSIBILITIES

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 the 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.

3. The Chief Finance Officer's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2012 has been prepared in accordance with the Accounts and Audit Regulations 2011 and that it gives a true and fair view of the financial position of the New Forest National Park Authority as at 31 March 2012 and its income and expenditure for that year ended.

Bob Jackson, CPFA

Chief Finance Officer **27 September 2012**

4. Approval of the Accounts by the Authority

I confirm that these accounts were approved and authorised for issue by Members of the Authority at the meeting held on the 27 September 2012.

Vicky Myers

Deputy Chairman of the Authority **27 September 2012**

ANNUAL GOVERNANCE STATEMENT 2011/12

Scope of responsibility

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

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Authority approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/Solace Framework Delivering Good Governance in Local Government. A review of compliance with the Code is carried out on an annual basis by the Chief Executive, Monitoring Officer and Chief Finance Officer. A copy of the Code is published on the Authority's website and can be obtained from Member Services.

This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement of corporate governance.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's aims, objectives and policies, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework

The Local Code of Corporate Governance describes the Council's governance framework in relation to the six core principles below and demonstrates how it complies with these:

a. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
b. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
c. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
d. Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk;
e. Developing the capacity and capability of members and officers to be effective; and
f. Engaging with local people and other stakeholders to ensure robust public accountability.

This new code was adopted by the Authority in June 2012.

Through carrying out its general statutory duties and responsibilities in connection with the two national park purposes, the Authority seeks to work for and with the local community to foster the social and economic wellbeing of communities within the National Park.

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

The Authority's purposes, vision and intended outcomes for residents, visitors and other stakeholders are identified in a range of policy documents. The overarching vision for the management of the Authority is set out in the Management Plan 2010-2015. The plan was developed following extensive community engagement.

The Authority's Business Plan 2011 – 2015, published in 23 June 2011, sets out the main framework for the work programme for the Authority over the next four years based on objectives and actions from the Management Plan. The work programmes are aligned to the Authority's purposes and duty of Protect, Enjoy and Prosper. A more detailed annual operational plan sets out how these objectives and actions will be delivered. Progress is monitored regularly by Management Board and Resources, Audit and Performance Committee. The Plan presents an account and assessment of the Authority's activities, alongside the separate reports of its financial position and performance. The Plan presents an account and assessment of the Authority's activities, alongside the separate reports of its financial position and performance.

Management information is produced to assist with the measurement of performance including a number of performance indicators. Budgetary control reports are reviewed monthly by the Management Board and on a regular basis by Resources, Audit and Performance Committee. The Committee also considers the Authority's medium term financial position. The medium term financial plan aligns resources to their priorities. Where performance slips this is further examined and action taken where possible.

The Chief Executive reports to the Authority on the development and performance of the Authority overall. The Annual Report 2011/12, detailing the Authority's activities and achievements was published on 11th June 2012.

The Authority has adopted and maintained a complaints procedure to enable complaints about the Authority's activities to be considered and responded to. Information on how to use the complaints procedure is available via a complaints leaflet and the Authority's website. Information on complaints received is considered by the Authority's Management Board. Lessons for service improvement are identified wherever practicable.

The Authority is subject to a full and independent audit of the financial management arrangements in place for 2011/12. Audit reports are issued by the External Auditor and Internal Auditor to be considered by the Authority's Resources, Audit and Performance Committee.

The Authority undertakes Equality impact assessments, which services are required to undertake to ensure services are delivered, designed and continually reviewed to meet the needs of the whole community.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Standing Orders, Scheme of Delegation, Financial Regulations, Contract Standing Orders and other procedures describe how the Authority operates and how decisions are made to ensure that these are efficient, transparent and accountable to local people. All these key policies were reviewed and updated during the year and adopted by Authority in March 2012.

Each of the committees has distinct terms of reference, with each having periodic review. During the year the Resources, Audit and Performance Committee Terms of Reference were amended to strengthen the Audit Committee function.

Meetings of the Authority are held in public (save for individual items of a sensitive nature properly considered in confidential session) with publicly available agendas and minutes, and members of the public may ask questions and make representations on relevant matters at meetings.

The roles and responsibilities of the Members and officers are further defined in Member/Officer job descriptions and there is a Local Protocol for Member and Officer Relations. The roles of Chief Executive, Monitoring Officer and Chief Finance Officer are filled, with each officer understanding their relevant responsibilities. The Authority has taken a decision to have service level agreements for the provision of the Monitoring Officer and Chief Finance Officer in order to ensure value for money. These Service Level agreements are reviewed and performance monitored. In reaching this decision the Authority took into account the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010). The Chief Finance Officer (CFO) function is performed by the Executive Director of New Forest District Council. There are agreed protocols for consultation with the CFO on key decisions and advice to the Authority and its committees. The CFO or a deputy attends meetings of Authority's Management Team in order to ensure a sound understanding of the organisation's key priorities and risks. The Monitoring Officer role is performed by the Senior Solicitor of Hampshire County Council.

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

There are Codes of Conduct for Members and officers in place and performance appraisal processes for Officers. Training is given to Members on the Code of Conduct and there is a Register of Members' Interests. The Authority is in the process of considering successor standards arrangements for the conduct of Members following the implementation of the Localism Act 2011. There is currently a Standards Committee which monitors the ethical framework of the Authority and there have been no allegations of failure to comply with the Code.

Provision has been made for an annual report on complaints received to be considered by the Authority's Standards Committee, so that the Authority can be assured that the procedure is working well and that lessons for services improvement are being identified wherever practicable.

There is an adopted Whistleblowing Policy, with confidential reporting arrangements in place to enable internal and external whistle-blowing. There is also an Anti-fraud and Corruption Policy in place which was updated during the year to include the requirements under the Bribery Act 2011.

Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk

There is a systematic strategy, framework and processes for managing risk. A risk register is maintained, and reviewed regularly by both Management Board and quarterly by the Resources, Audit and Performance Committee. This enables relevant risks to be identified and evaluated, with consideration given to appropriate mitigation strategies.

Members oversee the strategic direction and annual objectives, this enables relevant risks to be identified and evaluated, with consideration given to appropriate mitigation strategies.

Developing the capacity and capability of members and officers to be effective

Member and senior officer learning and development needs are identified and met through induction programmes, the appraisal system, which includes learning and development target areas.

There have been a number of informal training sessions for Members and Members Days on various aspects of their responsibilities and to aid the development of policy.

The Authority seeks to continually train its' Officers and has for example provided training on Data Protection and support of leadership training through coaching. The Authority has also identified an opportunity to strengthen procurement training which will be delivered during 2012/13. There have also been a number of policies which have been updated during the year, where refresher training will be provided to Officers to ensure they are aware of changes.

Engaging with local people and other stakeholders to ensure robust public accountability

The Authority has developed and maintained a range of relationships and arrangements with other agencies in the public, private and voluntary sectors, to ensure that they are able to engage with and contribute to the work of the Authority.

Member representatives has continued with a number of external bodies such as the Court of Verderers, the Hampshire and Isle of Wight Local Government Association, Hampshire Senate, North Solent Shoreline Management Plan, New Forest Local Access Forum, New Forest Ninth Centenary Trust – Trustee and Campaign for National Parks. A full list was reported to Authority on 28th June 2012.

Partnership arrangements have been continued with the Ninth Centenary Trust for joint delivery of interpretation facilities in Lyndhurst, and with the Forestry Commission and Hampshire County Council for the provision of community rangers. The governance arrangements for the partnership with the Ninth Centenary Trust have been considered and approved by the Authority. The Authority continues to deliver eight Local Information Points in partnership with local businesses to provide information about the national park for local communities and visitors. The Authority continues to support the MOSAIC partnership which helps strengthen links between black and ethnic minority groups and national parks.

The Authority has continued with The New Forest Consultative Panel, which is an advisory forum comprising representatives from over eighty organisations with an interest in the New Forest National Park and adjacent areas. It meets every two months to discuss topical issues and provide views to the National Park Authority and other statutory bodies

Information centres called local information points (LIP's) are in shops and post offices to help promote the National Park and get feedback. Events at schools and education centres have taken place to help promote the understanding of the New Forest and engage with children.

The Authority has been instrumental in assisting local Parish and Town Councils in developing a communication structure to engage with the public and assist in training for Council members. It routinely consults Parish Councils for their views on all planning applications by providing them with an initial planning officer assessment alongside details of the application. Communication has been aided further with the successful Parish Quadrant meetings which are held throughout the year and the introduction of Member presence at Parish Councils.

The Authority, publishes Park Life, Community Connect and an annual report to ensure regular communication on our work performance and issues and opportunities, together with press releases.

Continuous Improvement

The Authority aims to be clearly accountable for the effective delivery of services, through setting targets and measuring performance.

Objectives and targets are developed for each service, and performance reviewed against these. This has been particularly important due to the economic climate and being able to reach a balanced budget following significant grant cuts. The Authority is also continuing to deliver its “Planning for the Future” programme which focuses on efficiencies and working processes.

Service Level Agreements with Hampshire County Council and New Forest District Council were amended from 2011/12 following a revision of services. Hampshire County Council provided legal services and New Forest District Council provided the services of Chief Finance Officer, provision of strategic financial advice, internal audit, and accountancy services.

Review of Effectiveness:

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Officers within the authority who have the responsibility for the development and maintenance of the governance environment, the Internal Auditor’s report and also by comments made by the external auditors and other review agencies and inspectorates.

Factors which influence the controls environment include; ethics, integrity, operating style and the way management and members assign responsibility and authority.

The roles of the Authority, Resources, Audit and Performance Committee and Internal Audit are explicit in maintaining the effectiveness of the governance framework.

The Authority has adopted arrangements to define the responsibilities of members and officers to ensure clarity and accountability in its business. A protocol on member and officer relations has been adopted, and training provided for members and officers.

Major strategic plans and policies receive consideration by members. A comprehensive scheme of delegation to officers has been approved by members, and makes clear that the role of officers is to implement and give effect to strategies and policies approved by the Authority.

Authority meetings are open to members of the press and public to attend and make presentments to (save for individual items of a sensitive nature properly considered in confidential session). Agendas and minutes of meetings are available for inspection by the public both at the Authority’s offices and via the Authority’s website.

The Authority has maintained arrangements to ensure that its dealings are lawful and comply with financial regulations. Solicitors consider all reports considered by members, and are present at meetings to give advice to members as required. This assists in ensuring that the Authority discharges its functions in accordance with the law.

Members have a key role in providing assurance that the Authority's funds are used economically, efficiently and effectively in accordance with agreed policies. The financial strategy and budget is agreed annually by the Authority and budget monitoring reports are considered at meetings of the Resources, Audit and Performance Committee. The Authority's accounts are subject to external audit on an annual basis and reported to the Authority at a public meeting.

The Authority reviewed, updated and adopted a number of its policies during 2011/12. Further opportunities were taken during early 2012/13 to improve its governance framework having reviewed its Local Code of Corporate Governance. The Monitoring Officer will undertake a further review of governance in compliance with this code, with recommendations reported to the Resources, Audit and Performance Committee in September 2012. This item has been raised as an action arising from this statement.

There have been no complaints made during 2011/12 in relation to allegations of failure to comply with the Members' Code of Conduct.

All member meetings of the Authority commence with an item regarding declaration of personal and prejudicial interests, with signed records of interests declared kept with the minutes of the meeting. A Register of Members' Interests is maintained, in accordance with the Local Government Act 2000.

The Internal Auditor's reported for 2011/12; "Reasonable assurance was placed on all fundamental audits, recommendations have been made to improve elements of the control environment, all of which have been accepted by management".

The Audit Commission acts as the Council's external auditor and is responsible for reviewing and reporting on the Statement of Accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources.

Business continuity plans have been audited and reviewed but have yet to be subject to a 'live test'. This will be undertaken following the office move to Lymington Town Hall.

A review of the previous year's annual governance statement identified that the Anti-Money Laundering policy had not yet been adopted. This item stands as an outstanding item for action and has been raised again as part of this year action plan. The Authority also planned to undertake an assessment with Senior Management over their understanding of internal control. This work has yet to be completed and therefore has been raised for action.

Significant governance issues:

The Authority needs to ensure that it completes planned work in the following areas:

- Preparation and adoption of a Anti Money Laundering Policy
- To carry out a live test of the Business Continuity Plans
- To carry out a review of the new Local Code of Corporate Governance
- To carry out an assessment of the understanding of internal controls with Senior Management noting the restructure and updating of significant policies during 2011/12.

CERTIFICATION

To the best of our knowledge, governance arrangements, as defined above have been in place within the Authority for the year ending 31st March 2012 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ……………………..	Signed:………………………
Deputy Chairman	Chief Executive
Date: 27th September 2012	Date: 27th September 2012

STATEMENT OF ACCOUNTS

Index of Notes to The Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

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.

Restated 2010/11					2011/12		
Gross Expenditure £000	Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Income £000	Net Expenditure £000
1,313	(733)	580	Conservation of the Natural Environment		747	(304)	443
657*	(233)	424	Conservation of Cultural Heritage		459	(137)	322
252	0	252	Recreation Management and Transport		234	(8)	226
751	(4)	747	Promoting Understanding		736	(11)	725
103	(8)	95	Rangers, Estates and Volunteers		117	(18)	99
1,222	(331)	891	Development Control		1,224	(219)	1,005
626*	0	626	Forward Planning and Communities		542	0	542
768	0	768	Corporate and Democratic Core		410	0	410
(1,149)	0	(1,149)	Non-Distributed Costs – Pension Adjustment	10	0	0	0
0	0	0	Exceptional Item – Office Relocation	6	674	(672)	2
4,543	**(1,309)**	**3,234**	**Net Cost of Services**		**5,143**	**(1,369)**	**3,774**
			Other Operating Expenditure				
		0	(Profit)/Loss on Disposal of Long-Term Assets	12			44
			Financing and Investment Income and Expenditure				
		(35)	Interest and Investment Income				(63)
		78	Pensions Interest Cost and Expected Return on Pension Assets	10			93
		(1)	Impairment of Investment	9			(37)
		42	**Total Financing and Investment Income and Expenditure**				**37**
			Taxation and Non-Specific Grant Income				
		(78)	Capital Grants and Contributions	8			(234)
		(4,228)	National Park Grant	8			(3,812)
		(1,030)	**(Surplus)/Deficit on the Provision of Services**				**(235)**
		1,049	Actuarial (gains)/losses on pension fund assets and liabilities	10			674
		19	**Total Comprehensive Income and Expenditure**	6			**439**

***** The Sustainable Development Fund expenditure has been reclassified in the 2010/11 comparators (£192k) moving from 'Conservation of Cultural Heritage' to 'Forward Planning & Communities'.

Bob Jackson, CPFA – Chief Finance Officer **27 September 2012**

BALANCE SHEET AS AT 31ST MARCH 2012

2010/11				2011/12	
£000	£000		Note	£000	£000
		Long-term Assets			
		Property, Plant & Equipment			
38		Building	12	0	
200		Vehicles & Equipment	12	151	
	238				151
		Intangible assets			
	58	Equipment (Software)	13		66
	1,044	Long - term Investments	22		542
	1,340	**Total Long-term Assets**			759
		Current Assets			
1,106		Short Term Investments	22	1,771	
19		Inventories	14	11	
268		Short Term Debtors	15	321	
728		Cash and Cash Equivalents	16	144	
	2,121	**Total Current Assets**			2,247
	3,461	**Total Assets**			**3,006**
		Current liabilities			
(413)		Short Term Creditors	17	(341)	
(775)		Capital Grant – Receipt in Advance	17	(103)	
	(1,188)	**Total Current Liabilities**			(444)
		Long Term Liabilities			
(133)		Developers Contributions – Receipts in Advance	18	(149)	
(2,967)		Liability relating to Defined Benefit Pension Scheme	10	(3,680)	
	(3,100)	**Total Long Term Liabilities**			(3,829)
	(827)	**Net Assets**			**(1,267)**
		Usable Reserves:			
1,357		General Fund Balance	20	1,396	
352		Earmarked General Fund Reserves	20	439	
198		Developers Contributions Unapplied	18/20	429	
	1,907				2,264
		Unusable Reserves:			
296		Capital Adjustment Account	21	217	
(2,967)		Pensions Reserve	21	(3,680)	
(63)		Accumulated Absences Account	21	(68)	
	(2,734)				(3,531)
	(827)	**Total Reserves**			**(1,267)**

Bob Jackson, CPFA - Chief Finance Officer **27 September 2012**

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in 2011/12 on the different reserves held by the Authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfer to or from earmarked reserves undertaken by the Authority.

	Note	General Fund Balance	Earmarked General Fund Reserves	Developers Contributions Unapplied	**Total Usable Reserves**	Capital Adjustment Account	Pensions Reserve	Accumulated Absences Account	**Total Unusable Reserves**	**Total Authority Reserves**
Balance as at 31 March 2011		**1,357**	**352**	**198**	**1,907**	**296**	**(2,967)**	**(63)**	**(2,734)**	**(827)**
Movement in reserves during 2011/12										
Surplus or (deficit) on the provision of services		235	0	0	**235**	0	0	**0**	**0**	**235**
Other Comprehensive Income and Expenditure		0	0	0	**0**	0	(674)	**0**	**(674)**	**(674)**
Total Comprehensive Income and Expenditure		**235**	**0**	**0**	**235**	**0**	**(674)**	**0**	**(674)**	**(439)**
Adjustments between accounting basis & funding basis under regulations	(5)	(108)	0	234	**126**	(82)	(39)	(5)	**(126)**	**0**
Rounding		(1)	0	0	**(1)**	**0**	**0**	**0**	**0**	**(1)**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**126**	**0**	**234**	**360**	**(82)**	**(713)**	**(5)**	**(800)**	**(440)**
Transfers to/(from) Earmarked Reserves	(19)	(87)	87	(3)	**(3)**	3	0	0	**3**	**0**
Increase/(Decrease) in 2011/12		**39**	**87**	**231**	**357**	**(79)**	**(713)**	**(5)**	**(797)**	**(440)**
Balance as at 31 March 2012		**1,396**	**439**	**429**	**2,264**	**217**	**(3,680)**	**(68)**	**(3,531)**	**(1,267)**

The table below sets out the same information for the 2010/11 financial year for comparison:

	Notes	General Fund Balance	Earmarked General Fund Reserves	Developers Contributions Unapplied	**Total Usable Reserves**	Capital Adjustment Account	Pensions Reserve	Accumulated Absences Account	**Total Unusable Reserves**	**Total Authority Reserves**
Balance as at 31 March 2010		**1,487**	**362**	**151**	**2,000**	**268**	**(3,011)**	**(65)**	**(2,808)**	**(808)**
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services		1,030	0	0	**1,030**	0	0	**0**	**0**	**1,030**
Other Comprehensive Income and Expenditure		0	0	0	**0**	0	(1,049)	**0**	**(1,049)**	**(1,049)**
Total Comprehensive Income and Expenditure		**1,030**	**0**	**0**	**1,030**	**0**	**(1,049)**	**0**	**(1,049)**	**(19)**
Adjustments between accounting basis & funding basis under regulations	(5)	(1,170)	0	47	**(1,123)**	28	1,093	2	**1,123**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(140)**	**0**	**47**	**(93)**	**28**	**44**	**2**	**74**	**(19)**
Transfers to/(from) Earmarked Reserves	(19)	10	(10)	0	**0**	0	0	0	**0**	**0**
Increase/(Decrease) in 2010/11		**(130)**	**(10)**	**47**	**(93)**	**28**	**44**	**2**	**74**	**(19)**
Balance as at 31 March 2011		**1,357**	**352**	**198**	**1,907**	**296**	**(2,967)**	**(63)**	**(2,734)**	**(827)**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

2010/11 £000		Notes	2011/12 £000
(1,030)	**Net (Surplus)/Deficit on the Provision of Services**		**(235)**
	Adjust net (surplus)/deficit on the Provision of Services for non-cash movements		
(114)	Depreciation / Impairments	**9/12/13**	(53)
0	Carrying amount of non-current asset disposals	**12**	(44)
(296)	(Increase)/Decrease in Creditors		744
102	Increase/(Decrease) in Debtors		53
19	Increase/(Decrease) in Inventories		(8)
703	Pension Liability – Reversal of current service cost, past service cost, settlements and curtailments, pensions interest cost and expected return on assets	**10**	(389)
390	Pension Liability – Addition of the cash paid out in the year from Employers contributions and direct payments to pensioners	**10**	350
	Adjustments for items which are Investing or Financing Activities		
35	Investment Income		63
(191)	**Net cash flows from Operating Activities**		**481**
	Investing Activities		
143	Purchase of property, plant & equipment and intangible assets	**12/13**	55
(47)	(Increase)/Decrease in Developers' Contributions – Receipts in Advance	**18**	(16)
5,600	Purchase of short-term and long-term investments	**22**	5,400
(5,619)	Proceeds from short-term and long-term investments	**22**	(5,284)
(36)	Investment Income		(53)
	Financing Activities		
(600)	Cash receipts of short and long term borrowing		0
600	Repayments of short and long term borrowing		0
1	Rounding		1
(149)	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**584**
579	Cash and Cash Equivalents b/f	**16**	728
728	Cash and Cash Equivalents c/f	**16**	144
149	**Movement in Cash and Cash Equivalents**	**22**	**(584)**

NOTES TO THE FINANCIAL STATEMENTS

Note 1. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Best Value Accounting Code of Practice 2011/12 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii) Accruals of Income and Expenditure (Debtors and Creditors)

The accounts of the Authority are prepared on an accruals basis. This means that the sums due to or from the Authority during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question.

Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied by and to the Authority during the year.

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature or can be called within 24 hours and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Authority will treat the following as Cash and Cash Equivalents:

- Instant Access Call Accounts
- Instant Access Money Market Funds
- Deposits with one day to maturity

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv) Changes in Accounting Policies

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v) Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding long-term assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise income to fund depreciation, revaluation and impairment losses or amortisations. Charges are therefore mitigated by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement.

vi) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. flexi-time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged to services on an accruals basis in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Hampshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

Detailed regulations govern rates of contribution and scales of benefits, the latter normally being in the form of a lump sum and annual pension.

<u>The Local Government Scheme</u> is accounted for as a defined benefits scheme:

- The liabilities of the Hampshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the indicative rate of return on a high quality corporate bond).

- The assets of the Hampshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Hampshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

The pension scheme is detailed in note 10 to the Financial Statements.

Discretionary Benefits – The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award, and accounted for using the same policies as are applied to the Local Government Pensions Scheme.

vii) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

viii) Financial Instruments

Financial Liabilities are measured at fair value and carried at their amortised cost in the Balance Sheet.

Financial Assets are divided into two categories; Loans and Receivables and Available for Sale assets.

Loans and Receivables

Loans and receivables (e.g. cash investments) are initially measured at their fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

ix) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grants or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

x) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xi) Inventories and Long Term Contracts

The Code of Practice requires stocks to be shown at the lower of actual cost or net realisable value. Care is taken to write out any obsolescent stocks.

xii) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.

- Non – Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and past service costs arising from current year decisions whose effect relates to years of service earned in earlier years.

These categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Cost	**Basis of Allocation**
Central Department Salaries	Predominantly on estimated time spent by staff
Administrative Buildings	Employee Numbers
Computing facilities	Employee Numbers

xiii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level is set for Property, Plant and Equipment assets below which expenditure is not capitalised.

Category of Asset	De minimis level
Land and buildings	£10,000
Vehicles, plant and equipment	£1,500

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and Buildings – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Vehicles, Plant & Equipment – Depreciated Historical Cost

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains or exceptionally to the Comprehensive Income and Expenditure

Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. There were no gains arising before that date.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

Depreciation is calculated on the following bases:

- land and buildings – straight-line allocation over the useful life of the property, as estimated by the Valuer

- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is applied in the year in which the asset is acquired and is charged using the straight-line method.

The following table indicates the estimated remaining useful life of each type of asset owned by the Authority. Each category of asset consists of different assets with varying remaining lives and this table shows this range.

Type of Asset	**Remaining Useful Asset Life at 31 March 2012**
Property, Plant and Equipment	
Equipment - ICT Hardware	Up to 4 years
- Other Equipment	Up to 20 years
Vehicle - Van	1 year
Intangible Assets	
ICT Software	Up to 5 years

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against useable reserves, as the cost of long-term assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xiv) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

The reserves held at 31 March 2012 are reported in notes 20 and 21.

xv) Value Added Tax (VAT)

All VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable. Income and expenditure in the Statement of Accounts excludes any amounts related to VAT other than any irrecoverable VAT which is charged to the service the supply related.

xvi) Leases

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Authority has one major lease, for its office accommodation, which has been classified as an operating lease.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service(s) benefitting from use of the leased property, plant or equipment. The impact of any lease incentives, such as rent-free periods, is spread across the whole term of the lease.

xvii) Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing resources, a transfer in the Movement in Reserves from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged.

Note 2. NEW ACCOUNTING STANDARDS YET TO BE ADOPTED

The Code requires the Authority to identify any accounting standards that have been issued but have yet to be adopted.

Amendments to International Financial Reporting Standard 7 '*Financial Instruments: Disclosures'* (issued October 2010) will be adopted by the Code from 1st April 2012. The changes are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position.

At present it is not thought that these amendments will have a material impact on the financial statements of the Authority.

Note 3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in this document the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There were no such critical judgements made in 2011/12 that would have a significant effect on the amounts in the financial statements.

Note 4. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

The financial statements contain some estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year (excluding those that are carried at fair value based on recently observed market prices) are as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions/Estimates**
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £880,000. During 2011/12, the Authority's actuaries advised that the net pension liability had increased by £20,000 as a result of estimates being corrected as a result of experience and increased by £560,000 attributable to updating of the assumptions.
Icelandic Bank Investment (Heritable)	Calculations assume a return of 88%. This percentage is dependent on the successful phased selling of assets and the price they will fetch.	If assets are not sold, or sold for less than estimated, the return will be less than 88%. If assets are sold for more than estimated, the return could be higher than 88%.

Note 5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS – GENERAL FUND

2010/11		2011/12
£000		**£000**
	Adjustments on Developers Contributions Unapplied	
47	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**234**
	Adjustments on Capital Adjustment Account:	
112	Capital expenditure charged in year to the General Fund	55
(115)	Depreciation and Impairment of Fixed Assets	(90)
0	Profit/(Loss) on Disposal of Fixed Assets	(44)
(309)	Revenue Expenditure Funded from Capital Under Statute	(826)
0	Financing of Capital Expenditure – Developers Contributions Applied	1
340	Financing of Capital Expenditure – Capital Grants Applied	822
28		**(82)**
	Adjustments on Pensions Reserve:	
703	Net charges made for retirement benefits in accordance with IAS19	(389)
390	Employer's contributions payable to the HCC Pension Fund	350
1,093		**(39)**
	Adjustments on Accumulated Absence Account:	
2	(Increase)/Decrease in accrual	**(5)**
1,170	**Net additional amount to be (credited)/debited to the General Fund Balance for the year**	**108**

Note 6. COMPREHENSIVE INCOME AND EXPENDITURE

Total Comprehensive Income and Expenditure in 2011/12 was £428,000, an increase of £409,000 from 2010/11. The reasons for the variation are as follows:

	2010/11	2011/12	Variation
	£000	**£000**	**£000**
IAS19 Past Service Gain*	(1,149)	0	1,149
IAS19 Service Cost Pension Adjustments	(22)	(54)	(32)
Disposal of Non-Current Assets	0	44	44
Actuarial losses on pension fund	1,049	674	(375)
Pensions Interest Costs and Expected Return on Assets	78	93	15
Items not Affecting Useable Reserves	**(44)**	**757**	**801**
National Park Grant	(4,228)	(3,812)	416
Capital Grants and Contributions	(78)	(234)	(156)
Impairment of Investment	(1)	(37)	(36)
Interest and Investment Income	(35)	(63)	(28)
Items Affecting Useable Reserves	**(4,342)**	**(4,146)**	**196**
Other (mainly affecting useable reserves)	**4,405**	**3,828**	**(577)****
Total Comprehensive Income and Expenditure	**19**	**439**	**420**

* In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect of reducing the Authority's liabilities in the Hampshire County Council Pension Scheme by £1,149,000 and was been recognised as a past service gain in accordance with guidance set down in UITF (Urgent Issues Task Force) Abstract 48, since the change was considered to be a change in benefit entitlement. There was no impact upon the General Fund.

** The Comprehensive Income and Expenditure Statement and the analysis above denote that, following a significant fall in its National Park Grant, the Authority has been forced to make considerable reductions in its Service expenditure. Net Cost of Services (excluding non-distributed costs and exceptional items) fell from £4.383 million in 2010/11 to £3.772 million in 2011/12.

<u>Office Relocation (shown as an Exceptional Item in Net Cost of Services)</u>

In November 2011, the Authority moved from its temporary headquarters at South Efford House into shared accommodation at Lymington Town Hall (owned by New Forest District Council). Given that this was a large one-off transaction and to avoid it skewing other comparisons between financial years, the expenditure and income related to this move have been shown as a separate item in Net Cost of Services on the Comprehensive Income and Expenditure Statement.

Note 7. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The Comprehensive Income and Expenditure Account has been prepared to reflect the Service Expenditure Analysis in accordance with CIPFA's Service Reporting Code of Practice (SeRCOP). This table shows the figures in the internal reporting format of the Authority:

	Externally-Funded Programme	Programme Fund (inc SDF)	Strategy & Planning	Central Costs	Employee Costs	Finance & Efficiency	Total
	£000	£000	£000	£000	£000	£000	£000
2011/12:							
Fees, charges and other service income	0	0	(202)	0	0	(20)	**(222)**
Government grants	(382)	0	(17)	0	0	(672)	**(1,071)**
Other grants and contribs.	(13)	0	0	0	(17)	(46)	**(76)**
Total Income	**(395)**	**0**	**(219)**	**0**	**(17)**	**(738)**	**(1,369)**
Employee expenses	0	0	0	0	2,876	0	**2,876**
Other service expenses	395	591	128	440	0	672	**2,226**
Total Expenditure	**395**	**591**	**128**	**440**	**2,876**	**672**	**5,102**
Net Expenditure	**0**	**591**	**(91)**	**440**	**2,859**	**(66)**	**3,733**
Revised Budget	0	596	(130)	436	2,860	(27)	3,735
(Saving)/Overspend	0	(5)	39	4	(1)	(39)	(2)

	Externally-Funded Programme	Programme Fund (inc SDF)	Strategy & Planning	Central Costs	Employee Costs	Finance & Efficiency	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2010/11*:							
Fees, charges and other service income	0	0	(314)	0	0	0	**(314)**
Government grants	(846)	0	(17)	0	0	0	**(863)**
Other grants and contribs.	(115)	0	0	0	(17)	0	**(132)**
Total Income	**(961)**	**0**	**(331)**	**0**	**(17)**	**0**	**(1,309)**
Employee expenses	0	0	0	0	3,315	0	**3,315**
Other service expenses	848	764	195	437	0	50	**2,294**
Total Expenditure	**848**	**764**	**195**	**437**	**3,315**	**50**	**5,609**
Net Expenditure	**(113)**	**764**	**(136)**	**437**	**3,298**	**50**	**4,300**
Revised Budget	0	836	(190)	467	3,147	50	4,310
(Saving)/Overspend	(113)	(72)	54	(30)	151	0	(10)

	2010/11*	**2011/12**
	£000	**£000**
Net expenditure in the Portfolio Analysis	4,300	3,733
Amounts in the Comprehensive Income and Expenditure Statement not reported to management for decision making	(1,066)	41
Cost of Services in Comprehensive Income and Expenditure Statement	**3,234**	**3,774**

2011/12	Portfolio Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(222)	0	(222)	0	(222)
Interest and investment income	0	0	0	(63)	(63)
Government grants and contributions	(1,071)	0	(1,071)	(3,812)	(4,883)
Other grants and contributions	(76)	0	(76)	(234)	(310)
Total Income	**(1,369)**	**0**	**(1,369)**	**(4,109)**	**(5,478)**
Employee expenses	2,876	(49)	2,827	93	2,920
Other service expenses	2,226	0	2,226	0	2,226
Depreciation	0	90	90	0	90
Impairment	0	0	0	(37)	(37)
Disposals	0	0	0	44	44
Total Expenditure	**5,102**	**41**	**5,143**	**100**	**5,243**
(Surplus) or deficit on the provision of services	**3,733**	**41**	**3,774**	**(4,009)**	**(235)**

2010/11*	Portfolio Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(314)	0	(314)	0	(314)
Interest and investment income	0	0	0	(35)	(35)
Government grants and contributions	(863)	0	(863)	(4,228)	(5,091)
Other grants and contributions	(132)	0	(132)	(78)	(210)
Total Income	**(1,309)**	**0**	**(1,309)**	**(4,341)**	**(5,650)**
Employee expenses	3,315	(1,173)	2,142	78	2,220
Other service expenses	2,294	0	2,294	0	2,294
Depreciation	0	107	107	0	107
Impairment	0	0	0	(1)	(1)
Total Expenditure	**5,609**	**(1,066)**	**4,543**	**77**	**4,620**
(Surplus) or deficit on the provision of services	**4,300**	**(1,066)**	**3,234**	**(4,264)**	**(1,030)**

* All 2010/11 tables/figures in this note have been restated, into the same format as their 2011/12 equivalents, due to inconsistencies identified between the previous format and Code guidance.

Note 8. GRANT INCOME

New Forest National Park Authority received Parliament approved grant of £3,811,570 from the Department of the Environment, Food and Rural Affairs (2010/11 was £4,228,096).

Details of other grants and contributions received during the year are shown in the table below:

2010/11*			2011/12
£000			£000
	Service Specific Revenue Grants and Contributions (included in cost of services)		
0	Office Relocation Project	Dept for Env, Food & Rural Affairs	(672)
(266)*	HLS** – Beaulieu Road	Forestry Commission	(97)
(29)*	HLS** – Beaulieu Road	Sustainable Development Fund	0
(14)*	HLS** – Beaulieu Road	Miscellaneous	0
(17)	Habitats Grant	Dept for Communities and Local Government	(17)
(8)	Climate Change Grant	Dept for Communities and Local Government	(37)
(71)	Higher Level Stewardship - Archaeology	Forestry Commission	(53)
0	Higher Level Stewardship - Misc	Forestry Commission	(23)
(245)	Site of Special Scientific Interest Restoration	Environment Agency	(66)
(75)	Site of Special Scientific Interest Restoration	Natural England	0
(15)	New Forest Land Advice Service	Natural England	0
(7)	New Forest Land Advice Service	Verderers	0
0	New Forest Land Advice Service	Forestry Commission (HLS)	(31)
(5)	Maritime Archaeology Project	Hampshire County Council	0
(107)	Maritime Archaeology Project	National Heritage Memorial Fund (Lottery)	(43)
(59)	Maritime Archaeology Project	English Heritage	0
(4)	Maritime Archaeology Project	The Crown Estates	(4)
0	Maritime Archaeology Project	Esso Petroleum Ltd	0
(9)	Archaeology Bursary	Institute of Field Archaeologists	0
(48)	New Forest Produce	New Forest Produce Ltd	(35)
(8)	Ranger Contribution	Esso Petroleum Ltd	(8)
0	Ranger Contribution	Hampshire County Council	(9)
0	New Forest Remembers	National Heritage Memorial Fund (Lottery)	(23)
0	New Forest Remembers	Esso Petroleum Ltd	(5)
0	Bird Disturbance Project	Natural England	(8)
0	Developers Contributions	Miscellaneous	(1)
(4)	Other	Miscellaneous	(14)
(991)			**(1,146)**
	Capital Grants and Contributions		
(30)	All Ability Bikes	Hampshire County Council	0
(1)	All Ability Bikes	New Forest District Council	0
(47)*	Developers Contributions	Miscellaneous	(234)
(78)			**(234)**
(1,069)	Total Grant and Contributions Income		**(1,380)**

*2010/11 Figures have been restated – Firstly with Revenue Expenditure Funded From Capital Under Statute (REFCUS) items shown under Revenue Grants as opposed to Capital and secondly, Developers Contributions revised to only show the ‘unconditional’ receipts.

**HLS = Higher Level Stewardship

Note 9. IMPAIRMENTS

Fixed Assets
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.

Financial Instruments
In 2008/09 an impairment of a financial instrument occurred when an Icelandic bank defaulted on its debt repayment. Although it was anticipated that a substantial amount would be recovered the anticipated loss was included in the Income & Expenditure Account.

The expected impairment has been adjusted as payments have been received and an adjustment for 2011/12 of £37,212 has been credited to the Comprehensive Income & Expenditure Account.

The estimated loss at 31 March 2012 is 12% which is less than that anticipated in the previous year (15%).

Note 10. DEFINED BENEFIT PENSION SCHEME

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 Scheme. 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 Comprehensive Income and Expenditure Account within the Movement in Reserves Statement on the General Fund balance. The following transactions have been made in the General Fund during the year:

	2010/11	2011/12
	£000	**£000**
Comprehensive Income and Expenditure Account		
Cost of Services:		
Current Service cost	352	291
Past Service Cost*	(1,133)	5
Financing and Investment Income and Expenditure		
Interest Cost	362	390
Expected return on assets in the scheme	(284)	(297)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(703)**	**389**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	1,049	674
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**346**	**1,063**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	44	(713)
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	**390**	**350**

* The significant credit in 2010/11 was as a result of the announcement that public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This was shown under 'Non-Distributed Costs' in the Net Cost of Services section of the Comprehensive Income and Expenditure Statement (as distribution would inhibit comparison of Service costs between financial years).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £4.299m. New Forest National Park's standard contribution rate in 2011/12 was 13.1% of members' pay plus 6% of contributing members pay as at 31 March 2010. The contribution rate certified at the 31 March 2010 valuation for April 2012 to March 2013 is 13.1% of current members' pay plus 6% of contributing members pay as at 31 March 2010. This will generate an estimated Authority contribution to the pension scheme of £357,000. In addition, Strain on Funds contributions may be required (should any employee leave the service of the Authority and their pension fund require a top-up payment).

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 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
	£000	**£000**	**£000**	**£000**	**£000**
Estimated liabilities in scheme	(3,734)	(4,928)	(7,292)	(7,031)	(8,375)
Estimated assets in scheme	2,869	2,716	4,281	4,064	4,695
Net assets/(liabilities)	**(865)**	**(2,212)**	**(3,011)**	**(2,967)**	**(3,680)**

In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect at the time of reducing the Authority's liabilities in the Hampshire County Council Pension Scheme by £1,149,000 and this was recognised as a past service gain (shown in the 2010/11 Net Cost of Services on the Comprehensive Income & Expenditure Statement). There was no impact upon the General Fund.

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total net liability of £3,680,000 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, 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.

Reconciliation of Present Value of the Scheme Liabilities

	2010/11	2011/12
	£000	**£000**
Opening balance at 1 April	**(7,292)**	**(7,031)**
Current Service Cost	(352)	(291)
Interest Cost	(362)	(390)
Contributions by Participants	(139)	(125)
Actuarial Gains/(Losses) on Liabilities	(434)	(578)
Net Benefits Paid Out	415	45
Past Service Costs	1,133	(5)
Closing balance at 31 March	**(7,031)**	**(8,375)**

Reconciliation of Fair Value of the Scheme Assets

	2010/11	2011/12
	£000	**£000**
Opening balance at 1 April	**4,281**	**4,064**
Expected Return on Assets	284	297
Actuarial Gains/(Losses) on Assets	(615)	(96)
Contributions by the Employer	390	350
Contributions by Participants	139	125
Net Benefits Paid Out	(415)	(45)
Closing balance at 31 March	**4,064**	**4,695**

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 surplus of £201,000 (2010/11 was loss of £331,000).

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 Aon Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations have been:

Financial Assumptions	**31 March 2011**	**31 March 2012**
	%	**%**
Rate of inflation – CPI	2.9	2.6
Rate of inflation – RPI	3.8	3.6
Rate of increase in salaries	5.3	5.1
Rate of increase in pensions	2.9	2.6
Rate of increase in deferred pensions	2.9	2.6
Rate for discounting scheme liabilities	5.4	4.8

Mortality Assumptions	31 March 2011	31 March 2012
	Years	Years
Future lifetime from age 65 (currently aged 65)		
Males	23.8	23.9
Females	24.8	24.9
Future lifetime from age 65 (currently aged 45)		
Males	25.6	25.6
Females	26.7	26.8

31 March 2011			Assets	31 March 2012		
£000	%	Long-Term Return %		£000	%	Long-Term Return %
2,577	64	8.4	Equities	2,587	55.1	8.1
947	23	4.4	Government Bonds	1,268	27.0	3.1
69	2	5.1	Corporate Bonds	70	1.5	3.7
297	7	7.9	Property	362	7.7	7.6
175	4	1.6	Cash	192	4.1	1.8
0	0	8.4	Other	216	4.6	8.1
		7.1	Average			6.4
4,065	**100**		**Total**	**4,695**	**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 2012.

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 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
	£000	**£000**	**£000**	**£000**	**£000**
Experience gains/(losses) on assets	1,081	(845)	817	(615)	(96)
Experience gains/(losses) on liabilities	(1,970)	(1)	6	(498)	(20)
Liability gains/(losses) due to assumption changes	402	(532)	(1,507)	64	(558)
Total Actuarial Gain/(Loss)	**(487)**	**(1,378)**	**(684)**	**(1,049)**	**(674)**

e) Movement in the Pensions Reserve

	2010/11	Pensions Reserve		2011/12
£000	**£000**		**£000**	**£000**
	(3,011)	**Net Liability at 1 April**		**(2,967)**
		Movement in year:		
		Operating Charge		
(352)		Current Service Costs	(291)	
1,133	781	Past Service Costs	(5)	(296)
		Contributions		
	390	Cash paid – Funded Liabilities		350
		Finance Income		
284		Expected Return on Assets	297	
(362)	(78)	Interest on Liabilities	(390)	(93)
	(1,049)	**Actuarial Gain/(Loss)**		(674)
	(2,967)	**Net Liability at 31 March**		**(3,680)**

Further information on the Pension Fund can be obtained from:
Pensions Services
Hampshire County Council
The Castle
Winchester
SO23 8UB Telephone: (01962) 845588

Note 11. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital expenditure may be paid for (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.

This table sets out the transactions required for the financing of capital expenditure:

	2010/11	2011/12
	£000	**£000**
Opening Capital Financing Requirement	0	0
Capital Investment		
Property, Plant & Equipment Assets	110	25
Intangible Assets	33	30
Revenue Expenditure funded from Capital under statute	309	826
Sources of Finance		
Revenue Provision	(112)	(55)
Developers Contributions	0	(4)
Capital Grants	(340)	(822)
Closing Capital Financing Requirement	**0**	**0**

Note 12. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

a) Valuation of Non-Current 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 2011. 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.

The New Forest National Park Authority moved premises during this financial year and relinquished the premises asset for no value. This asset was written out of the accounts.

Expenditure on long term assets is capitalised provided that it yields benefits to the Authority for more than one financial year. Expenditure that does not increase the value of an asset is charged to revenue as it is incurred.

b) Analysis of Assets

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

	2010/11	2011/12
Administration Building	1	0
Vehicle (Van)	1	1
Plant	1	0
Other Equipment	52	57
ICT Hardware	163	157
ICT Software	11	13
TOTAL	**229**	**228**

c) Valuation of assets carried at Current Value

The following statement shows the Authority's valuation of long-term assets. The basis for valuation is set out in the statement of accounting policies.

The valuations show the net current value after depreciation is applied.

	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	Change in value in 2009/10	Change in value in 2010/11	Change in value in 2011/12	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Land and Buildings		165	(37)	(31)	(24)	(27)	(8)	(38)	0
Vehicles, Plant and Equipment	151								151
Total	151	165	(37)	(31)	(24)	(27)	(8)	(38)	151

d) Movements on Non-Current Assets during the year

Property, Plant & Equipment Assets 2011/12	**Land & Buildings**	**Vehicles, Plant & Equipment**	**Total**
	£000	**£000**	**£000**
Certified valuation at 31 March 2011	38	371	409
Accumulated depreciation & impairment	-	(171)	(171)
Net book value of assets at 31 March 2011	**38**	**200**	**238**
Movement in 2011/12			
Additions		25	25
Disposals	(38)	(57)	(95)
Depreciation		(68)	(68)
Depreciation w/b on Disposals		51	51
Net book value of assets at 31 March 2012	**0**	**151**	**151**

Property, Plant & Equipment Assets 2010/11	**Land & Buildings**	**Vehicles, Plant & Equipment**	**Total**
	£000	**£000**	**£000**
Certified valuation at 31 March 2010	46	272	318
Accumulated depreciation & impairment	-	(128)	(128)
Net book value of assets at 31 March 2010	**46**	**144**	**190**
Movement in 2010/11			
Additions		110	110
Impairment	(8)		(8)
Disposals			
Depreciation		(44)	(44)
Depreciation w/b on Disposals		(10)	(10)
Net book value of assets at 31 March 2011	**38**	**200**	**238**

Note 13. INTANGIBLE ASSETS

The intangible assets comprise wholly of computer 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 2011/12 was £21,822.

2010/11	Intangible Assets	2011/12
£000		£000
251	**Certified valuation at 31 March 2011**	280
(173)	Accumulated depreciation & impairment	(222)
78	**Net book value of assets at 31 March 2011**	**58**
	Movement in 2011/12	
33	Additions	30
(49)	Depreciation	(22)
(4)	Depreciation w/b on Disposals	0
58	**Net book value of assets at 31 March 2012**	**66**

Note 14. INVENTORIES

At 31 March 2012 the Authority held goods for resale with a value of £10,785.

	2010/11	2011/12
	£000	£000
Balance at start of year	**0**	**19**
Purchases	21	6
Sales	(2)	(5)
Written Off Amount	0	(9)
Balance at end of year	**19**	**11**

Note 15. DEBTORS

An analysis of the Authority's debtors 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.

The categories used to split the Authority debtors have been updated for 2011/12 and therefore, to allow comparison, the 2010/11 balances have also been restated into the new format.

	2010/11	Restated 2010/11	2011/12
	£000	£000	£000
Government Departments	-	180	206
New Forest District Council	-	27	39
Other Local Authorities	-	29	0
Other Debtors	153	32	76
HM Revenues & Customs	81	-	-
Payments in Advance	34	-	-
	268	**268**	**321**

Note 16. CASH AND CASH EQUIVALENTS

This table shows the movement in cash in hand, at the bank and in deposits available within 24 hours during the year.

	At 1 April 2011	Cash change in year	At 31 March 2012
	£000	£000	£000
Cash in hand	1	(1)	0
Cash in bank / (overdraft)	(123)	67	(56)
Cash Equivalent – Treasury Call Account	100	(100)	0
Cash Equivalent – Money Market Fund	750	(550)	200
Cash Equivalent – Interest Due/Payable	0	0	0
	728	**(584)**	**144**

Note 17. CREDITORS

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.

The categories used to split the Authority creditors has been updated for 2011/12 and therefore, to allow comparison, the 2010/11 balances have also been restated into the new format.

	2010/11	Restated 2010/11	2011/12
	£000	£000	£000
New Forest District Council	12	12	77
Hampshire County Council	48	48	42
Government Departments	-	157	86
Public Corporations (PLCs) and Trading Funds	-	6	5
Other Local Authority	-	59	13
Other creditors	287	131	118
Receipt in Advance – Sites of Special Scientific Interest	66	-	-
Capital Grant In Advance – New HQ Project*	775	775	103
Total Creditors & Receipts in Advance	**1,188**	**1,188**	**444**

*****This constitutes a grant from the Department for Environment, Food & Rural Affairs towards the Authority moving into permanent shared premises at Lymington Town Hall (November 2011). Of the £103k balance, £36k is owed to New Forest District Council and the remainder is likely to be returned to Defra if unused.

Note 18. DEVELOPERS CONTRIBUTIONS

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

	2010/11	2011/12
	£000	£000
Opening Balance at 1 April	**(237)**	**(331)**
Total Contributions Received	(94)	(251)
Contributions Released	0	4
Closing Balance at 31 March	**(331)**	**(578)**

The developers' contributions shown on the Balance Sheet are split dependant on their repayment status. If they do not have any specified repayment conditions they are shown as Developers Contributions Unapplied under Usable Reserves, or else they are classed as Long Term Liabilities. The split is shown below:

	2010/11	New Receipts	Financing of Expenditure	2011/12
	£000	**£000**	**£000**	**£000**
Long Term Liabilities	(133)	(17)	1	(149)
Developers Contributions Unapplied	(198)	(234)	3	(429)
Total Developers Contributions Held	**(331)**	**(251)**	**4**	**(578)**

Note 19. TRANSFERS TO/FROM 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 2011	Transfers Out	Transfers In	Balance 31 March 2012
	£000	**£000**	**£000**	**£000**
Sustainable Development	(312)	19	0	(293)
Donations	0	0	0	0
Maritime Archaeology	(3)	3	0	0
Historic Buildings	(35)	0	0	(35)
HQ Reserve	(2)	2	0	0
ICT Replacement	0	0	(38)	(38)
Website Project	0	0	(25)	(25)
Climate Change	0	0	(31)	(31)
Habitats	0	0	(17)	(17)
Total	**(352)**	**24**	**(111)**	**(439)**

	Balance 1 April 2010	Transfers Out	Transfers In	Balance 31 March 2011
	£000	**£000**	**£000**	**£000**
Sustainable Development	(324)	12	0	(312)
Donations	0	0	0	0
Maritime Archaeology	(3)	0	0	(3)
Historic Buildings	(35)	0	0	(35)
HQ Reserve	0	0	(2)	(2)
Total	**(362)**	**12**	**(2)**	**(352)**

Note 20. USABLE RESERVES

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 2011	Net Movement in year	Balance at 31 March 2012
	£000	**£000**	**£000**
General Fund	(1,357)	(39)	(1,396)
Earmarked Reserves (Note 19)	(352)	(87)	(439)
Developers Contributions Unapplied (Note 18)	(198)	(231)	(429)
Total	**(1,907)**	**(357)**	**(2,264)**

	Balance at 1 April 2010	Net Movement in year	Balance at 31 March 2011
	£000	**£000**	**£000**
General Fund	(1,487)	130	(1,357)
Earmarked Reserves (Note 19)	(362)	10	(352)
Developers Contributions Unapplied (Note 18)	(151)	(47)	(198)
Total	**(2,000)**	**93**	**(1,907)**

Note 21. UNUSABLE RESERVES

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing their acquisition or enhancement under statutory provisions. The account is debited with the costs of depreciation, impairment and amortisations as assets are consumed and credited with the amounts set aside by the Authority for the financing of capital expenditure.

The account contains accumulated gains and losses on Investment Properties and gains on Property, Plant and Equipment assets arising before 1 April 2007.

The balance on the Capital Adjustment Account is matched by fixed assets within the balance sheet and does not represent actual funds available to the Authority.

Capital Adjustment Account	2010/11	2011/12
	£000	**£000**
Opening Balance at 1 April	(268)	(296)
Depreciation Charge	107	90
Impairment Charge	8	0
Non-current assets written off on Disposal	0	44
Revenue Expenditure funded from Capital under statute	309	826
Financing of Capital Expenditure from Revenue Resources	(112)	(55)
Financing of Capital Expenditure from Developers Contributions	0	(4)
Financing of Capital Expenditure from Capital Grants	(340)	(822)
Closing Balance at 31 March	**(296)**	**(217)**

Other Unusable Reserves:

Pensions Reserve	2010/11	2011/12
	£000	**£000**
Opening Balance at 1 April	3,011	2,967
Movement in Year (See Note 10)	(44)	713
Closing Balance at 31 March	**2,967**	**3,680**

Accumulated Absence Account	2010/11	2011/12
	£000	**£000**
Opening Balance at 1 April	65	63
Movement in Year – Increase/(Decrease)	(2)	5
Closing Balance at 31 March	**63**	**68**

Note 22. FINANCING ACTIVITIES

Financing and Management of Liquid Resources

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

	Balance at 1 April 2011	Movement in year	Balance at 31 March 2012
	£000	**£000**	**£000**
Temporary Investments	1,103	678	1,770
Accrued Interest	3	(2)	1
Cash & Cash Equivalents	728	(584)	144
	1,834	**92**	**1,915**

Long-Term Investments

Money Market Investment

Under capital accounting rules the Authority is permitted to lend a proportion of its funds for more than 364 days. A change was made to the Treasury Strategy late last year so that longer investments could be made if the interest receivable was advantageous to the Authority and if cash flow predictions allowed. A longer term investment was made on 31 March 2011.

In addition the default of an Icelandic Bank in 2008 has meant that some of the principal repayment will be in a period in excess of one year from 31 March 2011.

	31 March 2011	Movement in year	31 March 2012
	£000	**£000**	**£000**
Heritable Bank (Icelandic Bank)	44	(14)	30
Money Market Investment	1,000	(500)	500
Accrued Interest	0	12	12
	1,044	**(502)**	**542**

Financial Instruments Balances

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

	Long-Term		Short-Term	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Financial liabilities at amortised cost	0	0	0	0
Trade Creditors	0	0	192	280
Total Borrowings	**0**	**0**	**192**	**280**
Loans and Receivables	1,044	530	1,102	1,770
Accrued Interest	0	12	3	1
Trade Debtors	0	0	153	148
Loans & receivables at amortised cost	**1,044**	**542**	**1,258**	**1,919**
Financial Assets at fair value through the I&E a/c	0	0	0	0
Cash and Cash Equivalents	0	0	728	144
Total Investments	**1,044**	**542**	**1,986**	**2,063**

Accrued Interest is already accounted for in the Comprehensive Income and Expenditure Account. The fair value adjustment is a note to the Accounts only and no accounting entry is required.

Gains and Losses Account

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are set out in the following table:-

	2010/11		2011/12	
	Financial Liabilities – amortised cost £000	Loans and Receivables £000	Financial Liabilities – amortised cost £000	Loans and Receivables £000
Interest Expense	0		0	
Impairment Gains		(1)		(37)
Interest Income		(34)		(63)
Net Gain/(Loss) for the year	**0**	**(35)**	**0**	**(100)**

Due to the impairment of a temporary investment with an Icelandic Bank, the net impact on the Comprehensive Income and Expenditure Account has been included under impairment losses in the Gains and Losses Account table above.

Fair value of Assets and Liabilities carried at Amortised Cost

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:-

- 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 money market deposit, the fair value is taken to be the invoiced or billed amount.

The fair values calculated are as follows:-

	31 March 2011		**31 March 2012**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Financial liabilities at amortised cost	0	0	0	0
Trade Creditors	192	192	280	280
Total Borrowings	**192**	**192**	**280**	**280**
Money Market Investments shorter than 1 year	1,102	1,102	1,771	1,771
Money Market Investments longer than 1 year	1,045	1,045	542	542
Bonds	0	0	0	0
Trade Debtors	153	153	148	148
Total Loans and Receivables	**2,300**	**2,300**	**2,461**	**2,461**
Cash and Cash Equivalents	728	728	144	144
Total Investments	**3,028**	**3,028**	**2,605**	**2,605**

Note 23. LEASES

During 2011/12 the Authority moved into shared premises at Lymington Town Hall with New Forest District Council (the owners) and signed a 15 year lease. The premises are not owned by the Authority and therefore no asset is recorded in the Authority's accounts.

An initial rent-free period was negotiated within the lease and this has been treated as a lease incentive in accordance with Authority's accounting policies. This saving has therefore been spread across the whole term of the lease. Consequently a £40,000 rent charge was made to the Comprehensive Income and Expenditure Statement during the year despite no actual payments being due on the property.

Future minimum lease payments due under the non-cancellable lease in future years are:

Lease Rental Payments for:	**31 March 2012**
	£000
Not later than one year	92
Later than one year but not later than 5 years	400
Later than 5 years	708
Total Lease Payments	1,200

Note 24. MEMBERS' ALLOWANCES

During 2011/12 payments to Members of the National Park amounted to £54,636 compared to £55,740 the previous year. These figures include all allowances plus travel and subsistence payments.

Name	Allowance £	Expenses £	Total £	Appointed by
C Chatters	467	0	467	Secretary of State – National
B Dash	763	0	763	Hampshire County Council
P Frost	1,807	180	1,987	Secretary of State – National
A Gentle*	2,430	0	2,430	Test Valley Borough Council
J Giltrow*	592	0	592	Standards Committee - Independent
D Harrison*	2,711	539	3,250	Hampshire County Council
R Heape	1,807	110	1,917	Secretary of State – National
E Heron	1,807	0	1,807	Hampshire County Council
J Heron	542	0	542	Parish
M Holding	1,807	0	1,807	New Forest District Council
P Jackman*	1,526	188	1,714	New Forest District Council
E Johnson	1,807	0	1,807	Secretary of State - National
J Johnson*	5,421	1,612	7,033	Wiltshire County Council
K Mans	1,807	0	1,807	Hampshire County Council
C Maton	1,807	0	1,807	Parish
R Morris	1,807	1,171	2,978	Parish
V Myers*	3,614	650	4,264	Secretary of State – National
J Pemberton*	3,614	0	3,614	Secretary of State - National
L Randall*	2,499	0	2,499	Wiltshire County Council
A Rice	1,807	0	1,807	Hampshire County Council
B Rickman	1,807	0	1,807	New Forest District Council
J Sanger	1,807	649	2,456	Parish
M Sullivan-Gould*	135	0	135	Standards Committee - Independent
S Wade	286	48	334	New Forest District Council
A Weeks	1,049	113	1,162	Hampshire County Council
P Wyeth*	3,614	237	3,851	New Forest District Council
TOTAL 2011/12	**49,140**	**5,497**	**54,637**	
Comparator 2010/11	**51,059**	**4,681**	**55,740**	

***** Includes Chair, Deputy Chair or special responsibility allowances. Allowances are not an indication of attendance or actual duties undertaken.

Note 25. OFFICERS' REMUNERATION

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 for 2011/12:

Post holder information (Post title)	Notes	Salary (including Fees & Allowances)	Bonuses	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2011/12	Pension contribution (13.1%)*	Total Remuneration including pension contributions 2011/12
		£	£	£	£	£	£	£
Chief Executive		89,332	0	0	0	89,332	11,135	100,467
Director of Park Delivery	**1**	24,606	0	0	0	24,606	3,150	27,756
Director of Park Services		62,122	0	0	0	62,122	7,712	69,834
Director of Delivery and Performance	**2**	6,169	0	0	0	6,169	762	6,931

Note 1: The Director of Park Delivery left post on 23rd September 2011; the annualised salary for this post would have been £50,032.
Note 2: The Director of Delivery and Performance took up post on 21st February 2012; the annualised salary for this post was £53,244.

***** The current rates and adjustments certificate for the Hampshire Pension Fund certifies a common rate for all employers of 19.7% of pensionable pay. Individual adjustments are added or subtracted from the common rate to produce individual employer rates. The individual adjustment for the New Forest National Park Authority gives a contribution rate of 13.1% of pensionable pay plus an additional monetary amount relating to all scheme members of £113.5k for 2011/12.

The following table sets out the comparative position shown in the above table for 2010/11:

Post holder information (Post title)	Notes	Salary (including Fees & Allowances)	Bonuses	Compensation for loss of office	Benefits in Kind	Total Remuneration excluding pension contributions 2010/11	Pension contribution (19.1%)*	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£	£
Chief Executive	1	89,443	0	0	0	89,443	13,529	102,972
Director of Conservation, Recreation & Sustainable Development		53,332	0	0	0	53,332	9,556	62,888
Director of Strategy & Planning		60,583	0	0	0	60,583	10,950	71,533
Director of Information and Visitor Services	2	53,206	0	8,246	0	61,452	10,038	71,490

Note 1: The Chief Executive took up post on 1st June 2010; the annualised salary for this post was £85,000 (the actual payment made in 2010/11 includes a one-off relocation allowance). For the period from April-June 2010, an Interim Chief Executive was in place, engaged through an agency. In the course of the 2010/11 financial year, the total payments made to the agency in respect of this agreement were £62,884. All costs of the Chief Executive are included in Corporate and Democratic Core.
Note 2: The Director of Information and Visitor Services left post on 28th February 2011; the annualised salary for this post would have been £57,331.

Note 26. TERMINATION BENEFITS

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (£)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	3	1	1	1	**4**	**2**	**27,956**	**6,186**
Total	**3**	**1**	**1**	**1**	**4**	**2**	**27,956**	**6,186**

Note 27. EXTERNAL AUDIT COSTS

The Authority incurred the following fees relating to external audit:

	2010/11	**2011/12**
	£000	**£ 000**
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	25	22
Audit Commission Rebate	(1)	(2)
Fees payable to the Audit Commission for the certification of grant claims	0	0
Fees payable in respect of other services provided by the appointed auditor	0	0
	24	**20**

Note 28. RELATED PARTIES

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.

During 2011/12 Hampshire County Council provided legal services to the Authority including the role of Monitoring Officer. The total cost of these legal services in 2011/12 was £123,000 (the cost of these services in 2010/11 was £138,000) and total expenditure with Hampshire County Council for the year was approximately £195,000 (£294,000 in 2010/11).

During 2011/12 New Forest District Council provided financial services and human resources support to the Authority including the roles of S151 Officer and Internal Audit. The total cost of these services in 2011/12 was £127,500 (£90,000 in 2010/11, although additional services were provided in 2011/12) and total expenditure with New Forest District Council for the year was approximately £192,000 (£171,000 in 2010/11).

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

Note 29. CONTINGENT LIABILITIES

The Authority is not aware of any contingent liabilities.

Note 30. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL STATEMENTS

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.

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 the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- 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 reported after each year, as is the half-year performance.

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.

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 & Poors Ratings Services. The Annual Investment Strategy also considers maximum amounts and periods for which investments can be made 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 Authority's maximum exposure to credit risk in relation to its investments in banks and building societies (£2m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence as at 31 March 2012 that this was likely to crystallise.

The following analysis summaries the Authority's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 2012 £000	**Historical experience of default %**	**Market Conditions at 31 March 2012 %**	**Estimated maximum exposure to default £000**
Bonds	0	0.00%	0.00%	0
Trade Debtors	148	0.81%	0.81%	**1**
Total	**148**			**1**

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

All of the Authority's deposits were allocated to institutions domiciled in the UK.

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 2011 £000	31 March 2012 £000
Less than three months	153	148
Three months to one year	0	0
More than one year	0	0
Total	**153**	**148**

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

Icelandic Investment

The Authority had an investment with an Icelandic Bank (Heritable) when it was placed into Administration on 7 October 2008. The details are as follows:

	Date Invested	Maturity Date	Principal Amount £000	Interest Rate %	Interest due at 07/10/2008 £000	Total Investment at 07/10/2008 £000
Heritable	14/03/08	13/03/09	**500**	5.87%	17	**517**

	£000	£000
Investment at date of Administration		**517**
Impairment to 31/03/2011	(140)	
Impairment Adjustment 2011/12	37	
		(103)
Impaired Investment at 31/3/2012		**414**
Interest due post 06/10/2008		41
Total Recoverable Amount		**455**

	Impaired Investment	Interest post 6th October 2008	Total
	£000	**£000**	**£000**
Amount received as at 31/03/2012	314	37	351
Amount due within 1 year	70	3	73
Amount due after 1 year	30	1	31
Total	**414**	**41**	**455**

Total recoverable amount is 88% of the amount due at the date of Administration.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures set out above (under 'Overall Procedures for Managing Risk' - 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.

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.

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

	31 March 2011 £000	**31 March 2012 £000**
Less than one year	1,830	1,971
Between one and two years	1,044	542
Between two and three years	0	0
More than three years	0	0
Total	**2,874**	**2,513**

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.

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:-

- 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. 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 Comprehensive Income and Expenditure Account and directly affect 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.

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:

	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(37)
Impact on Comprehensive Income and Expenditure Account	**(37)**

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.

Note 31. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts has been authorised for issue on 27 September 2012 by Ms Vicky Myers (Deputy Chairman) and Mr Bob Jackson, CPFA (Chief Finance Officer). The accounts reflect all known post balance sheet events up to the authorised for issue date.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW FOREST NATIONAL PARK AUTHORITY

Opinion on the Authority financial statements

I have audited the financial statements of New Forest National Park Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of New Forest National Park Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of New Forest National Park Authority as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters
In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception
I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Other matters on which I am required to conclude
I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am also required by the Audit Commission's Code of Audit Practice to report any matters that prevent me being satisfied that the audited body has put in place such arrangements.

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of my review of the annual governance statement.

As a result, I have concluded that there are no matters to report.

Certificate
I certify that I have completed the audit of the accounts of New Forest National Park Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Kevin Suter

Officer of the Audit Commission

Audit Commission
Collins House
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27th September 2012