NEW FOREST
NATIONAL PARK

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED
31 MARCH 2011

NEW FOREST NATIONAL PARK AUTHORITY

STATEMENT OF ACCOUNTS - YEAR ENDED 31 MARCH 2011

CHAIRMAN OF THE AUTHORITY
Julian Johnson

CHIEF EXECUTIVE Alison Barnes

CHIEF FINANCE OFFICER Bob Jackson, CPFA

CONTENTS

CONTENTS

Notes to The Financial Statements (Index)

RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

1. The Authority's Responsibilities

The Authority is required to:

* make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer;
* manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
* approve the statement of accounts.

2. The Chief Finance Officer's Responsibilities

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

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

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

RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

3. The Chief Finance Officer's Certificate

I certify that the statement of accounts presents a true and fair view of the financial position of the New Forest National Park Authority as at 31 March 2011 and the income and expenditure for that year ended.

Bob Jackson, CPFA

Chief Finance Officer **29 September 2011**

4. Approval of the Accounts by the Authority

I confirm that these accounts were approved by Members of the Authority at the meeting held on the 29 September 2011.

Julian Johnson

Chairman of the Authority **29 September 2011**

EXPLANATORY FOREWORD

1. INFORMATION ON FINANCIAL STATEMENTS

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

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

Comprehensive Income and Expenditure Statement
Discloses the revenue expenditure and income by service for the year ended 31st March 2011.

Balance Sheet
Discloses the financial position of the Authority as at 31st March 2011.

Movement in Reserves 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
Discloses the inflows and outflows of cash arising from the activities of the Authority for the year ended 31st March 2011.

Notes to the Accounts
Discloses 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 2 discloses the accounting policies used by the National Park Authority in compiling the financial statements.

2. MOVE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial statements for 2010/11 are the first to be prepared on an IFRS basis, adapted for the public sector by the Code of Practice on Local Authority Accounting (The Code). This has resulted in the restatement of some opening balances and transactions, with the result that some prior year comparative figures in the financial statements for 2010/11 are different from the equivalent figures presented in the financial statements for 2009/10. Details of the changes are set out in Note 1 to the Accounts.

EXPLANATORY FOREWORD

3. FINANCIAL PERFORMANCE DURING THE YEAR

- Income and Expenditure

The 2010/11 revenue budget was £4.173m, which was to be financed partly by contributions of £142,000 from the General Fund Reserve and £3,000 from earmarked reserves. The actual net budget underspend for the year was £5,000 with actual contributions of £10,000 from earmarked reserves and £130,000 from the General Fund Reserve. The reserve balances will largely be utilised to fund future years' expenditure.

	Budgeted	Actual	Variance
Net Revenue Budget	**4,173,000**	**4,168,000**	**(5,000)**
Contributions from Earmarked Reserves	3,000	10,000	7,000
Contribution from General Fund Reserve	142,000	130,000	(12,000)
Total Reserve Contributions	**145,000**	**140,000**	**(5,000)**

- Capital Expenditure

During 2010/11 the Authority incurred capital expenditure of £452,759 funded by capital grants and a contribution from the General Fund. Expenditure was incurred as follows:

	2009/10	2010/11
Expenditure:	**£**	**£**
Computer Hardware	58,414	45,061
Computer Software	13,173	32,969
Other Equipment	12,923	65,329
Open Spaces	12,603	0
Grant to External Body	0	309,400
	97,113	**452,759**
Financed by:		
Revenue Contributions to Capital	(84,510)	(111,959)
Developers Contributions	(12,603)	0
Capital Grants and Contributions	0	(340,800)
	(97,113)	**(452,759)**

EXPLANATORY FOREWORD

4. PENSION LIABILITY

The Authority's Balance Sheet shows a pension liability of £2.967 million. 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 liability has reduced by £44,000 from 31 March 2010. This is mainly due to the change to CPI indexation of pension increases, rather than RPI. The 2010/11 Comprehensive Income and Expenditure Account includes a credit of £781,000 for current and past service pensions costs, compared with a debit of £368,000 for 2009/10.

5. CURRENT ECONOMIC CLIMATE / FUTURE SERVICE DELIVERY

During 2010/11, as part of the wider government budget cuts, the Authority's Defra grant was cut by 5% (£212,000) from £4.240m to £4.028m. The Authority was also notified that it would no longer receive the Housing & Planning Delivery Grant (£110,000). In response, the Authority undertook a full in-year budgetary review exercise which identified sufficient savings and efficiencies to cover the grant losses whilst maintaining key service delivery.

Given the scale of the changes expected over the coming years, the Authority then instigated a 'Planning for the Future' programme to identify the priorities going forward and assess the budgetary restraints imposed. Through a process of prioritisation, savings and efficiencies were identified, largely within the back-office functions and through a restructure of the organisation. The funding allocated to projects in the Forest (the 'Programme Fund') was maintained at the 2010/11 level.

The Authority's General Fund Balance is currently £1.357 million, with a further £352,000 in other earmarked revenue reserves. The medium-term financial strategy, as agreed in March 2011, sets out the use of around £430,000 of the General Fund Reserve in the period from 2011/12 – 2014/15 (including £66,000 in 2011/12) to reduce the impact of the funding cuts on the important work of the Authority.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

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.

2009/10					2010/11		
Gross Expenditure £	Income £	Net Expenditure £		Note	Gross Expenditure £	Income £	Net Expenditure £
848,359	(350,570)	497,789	Conservation of the Natural Environment		1,313,374	(733,806)	579,568
858,826	(107,459)	751,367	Conservation of Cultural Heritage		848,878	(232,904)	615,974
163,993	(12,603)	151,390	Recreation Management and Transport		251,668	0	251,668
977,343	(25,600)	951,743	Promoting Understanding		751,185	(3,778)	747,407
41,151	(23,340)	17,811	Rangers, Estates and Volunteers		103,490	(8,340)	95,150
1,204,029	(390,569)	813,460	Development Control		1,221,690	(330,534)	891,156
480,278	0	480,278	Forward Planning and Communities		434,353	(127)	434,226
996,769	(86,880)	909,889	Corporate and Democratic Core		767,626	(95)	767,531
0	0	0	Non-Distributed Costs – Pension Regulation Adjustment	10	(1,149,000)	0	(1,149,000)
5,570,748	**(997,021)**	**4,573,727**	**Net Cost of Services**		**4,543,264**	**(1,309,584)**	**3,233,680**
			Other Operating Expenditure				
		417	(Profit)/Loss on Disposal of Fixed Assets	12			315
			Financing and Investment Income and Expenditure				
		80	Interest Payable and Similar Charges	22			108
		(64,555)	Interest and Investment Income	22			(34,494)
		166,000	Pensions Interest Cost and Expected Return on Pension Assets	10			78,000
		(6,180)	Impairment of Investment	9			(1,090)
		95,762	**Total Financing and Investment Income and Expenditure**				**42,839**
			Taxation and Non-Specific Grant Income				
		(48,563)	Capital Grants and Contributions	8			(78,166)
		(4,338,766)	National Park Grant	8			(4,228,096)
		282,160	**(Surplus)/Deficit on the Provision of Services**				**(1,029,743)**
		684,000	Actuarial (gains)/losses on pension fund assets and liabilities	10			1,049,000
		966,160	**Total Comprehensive Income and Expenditure**				**19,257**

Bob Jackson, CPFA – Chief Finance Officer **29 September 2011**

BALANCE SHEET AS AT 31ST MARCH 2011

2008/09		2009/10				2010/11	
£	£	£	£		Notes	£	£
				Long-term Assets			
				Property, Plant & Equipment			
73,200		46,000		Building	12	38,000	
124,498		144,297		Vehicles & Equipment (Hardware)	12	200,333	
	197,698		190,297				238,333
				Intangible assets			
	112,324		77,640	Equipment (Software)	13		57,636
	299,327		145,119	Long - term Investments	23		1,043,626
	609,349		413,056	**Total Long-term Assets**			1,339,595
				Current Assets			
2,006,897		2,022,779		Short Term Investments	1/23	1,105,495	
186		0		Inventories	14	19,282	
168,726		165,760		Short Term Debtors and Payments in Advance	15	268,256	
357,367		579,335		Cash and Cash Equivalents	1/16	727,949	
	2,533,176		2,767,874	**Total Current Assets**			2,120,982
	3,142,525		**3,180,930**	**Total Assets**			**3,460,577**
				Current liabilities			
(714,341)		(867,560)		Short Term Creditors and Receipts in Advance	1/17	(413,358)	
0		(25,120)		Capital Grant – Receipt in Advance	17	(775,120)	
	(714,341)		(892,680)	**Total Current Liabilities**			(1,188,478)
				Long Term Liabilities			
(58,169)		(85,395)		Developers Contributions – Receipts in Advance	18	(132,500)	
(2,212,000)		(3,011,000)		Liability relating to Defined Benefit Pension Scheme	10	(2,967,000)	
	(2,270,169)		(3,096,395)	**Total Long Term Liabilities**			(3,099,500)
	158,015		**(808,145)**	**Net Assets**			**(827,401)**
				Usable Reserves:			
1,700,800		1,486,651		General Fund Balance	20	1,356,557	
342,860		361,662		Earmarked General Fund Reserves	20	351,784	
102,866		151,429		Developers Contributions Unapplied	18/20	198,195	
	2,146,526		1,999,742				1,906,536
				Unusable Reserves:			
0		0		Revaluation Reserve	21	0	
310,022		267,937		Capital Adjustment Account	21	295,970	
(2,212,000)		(3,011,000)		Pensions Reserve	21	(2,967,000)	
(86,533)		(64,824)		Accumulated Absences Account	1/21	(62,907)	
	(1,988,511)		(2,807,887)				(2,733,937)
	158,015		**(808,145)**	**Total Reserves**			**(827,401)**

Bob Jackson, CPFA - Chief Finance Officer **29 September 2011**

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in 2010/11 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.

	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		**1,486,651**	**361,662**	**151,429**	**1,999,742**	**267,937**	**(3,011,000)**	**(64,824)**	**(2,807,887)**	**(808,145)**
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services		1,029,743	0	0	**1,029,743**	0	0	**0**	**0**	**1,029,743**
Other Comprehensive Income and Expenditure		0	0	0	**0**	0	(1,049,000)	**0**	**(1,049,000)**	**(1,049,000)**
Total Comprehensive Income and Expenditure		**1,029,743**	**0**	**0**	**1,029,743**	**0**	**(1,049,000)**		**(1,049,000)**	**(19,257)**
Adjustments between accounting basis & funding basis under regulations	(6)	(1,169,716)	0	46,766	**(1,122,950)**	28,033	1,093,000	1,917	**1,122,950**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(139,973)**	**0**	**46,766**	**(93,207)**	**28,033**	**44,000**	**1,917**	**73,950**	**(19,257)**
Transfers to/(from) Earmarked Reserves	(19)	9,878	(9,878)	0	**0**	0	0	0	**0**	**0**
Increase/(Decrease) in 2010/11		**(130,095)**	**(9,878)**	**46,766**	**(93,207)**	**28,033**	**44,000**	**1,917**	**73,950**	**(19,257)**
Balance as at 31 March 2011		**1,356,557**	**351,784**	**198,195**	**1,906,536**	**295,970**	**(2,967,000)**	**(62,907)**	**(2,733,937)**	**(827,401)**

The table below sets out the same information for the 2009/10 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 2009		**1,700,800**	**342,860**	**102,866**	**2,146,526**	**310,022**	**(2,212,000)**	**(86,533)**	**(1,988,511)**	**158,015**
Movement in reserves during 2009/10										
Surplus or (deficit) on the provision of services		(282,160)	0	0	**(282,160)**	0	0	**0**	**0**	**(282,160)**
Other Comprehensive Income and Expenditure		0	0	0	**0**	0	(684,000)	**0**	**(684,000)**	**(684,000)**
Total Comprehensive Income and Expenditure		**(282,160)**	**0**	**0**	**(282,160)**	**0**	**(684,000)**		**(684,000)**	**(966,160)**
Adjustments between accounting basis & funding basis under regulations	(6)	86,813	0	48,563	**135,376**	(42,085)	(115,000)	21,709	**(135,376)**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(195,347)**	**0**	**48,563**	**(146,784)**	**(42,085)**	**(799,000)**	**21,709**	**(819,376)**	**(966,160)**
Transfers to/(from) Earmarked Reserves	(19)	(18,802)	18,802	0	**0**	0	0	0	**0**	**0**
Increase/(Decrease) in 2009/10		**(214,148)**	**18,802**	**48,563**	**(146,784)**	**(42,085)**	**(799,000)**	**21,709**	**(819,376)**	**(966,160)**
Balance as at 31 March 2010		**1,486,651**	**361,662**	**151,429**	**1,999,742**	**267,937**	**(3,011,000)**	**(64,824)**	**(2,807,887)**	**(808,145)**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

2009/10		Notes	2010/11
282,160	**Net (Surplus)/Deficit on the Provision of Services**		**(1,029,743)**
	Adjust net (surplus)/deficit on the Provision of Services for non-cash movements		
(126,178)	Depreciation / Impairments	9/12/13	(115,012)
(178,339)	(Increase)/Decrease in Creditors		(295,798)
(2,966)	Increase/(Decrease) in Debtors		102,496
(186)	Increase/(Decrease) in Inventory		19,281
(534,000)	Pension Liability – Reversal of current service cost, past service cost, settlements and curtailments, pensions interest cost and expected return on assets	10	703,000
419,000	Pension Liability – Addition of the cash paid out in the year from Employers contributions and direct payments to pensioners	10	390,000
64,475	Net Interest (as shown under Operating Activities)		34,386
	Net cash flows from Operating Activities		
80	Interest Paid		108
(64,555)	Interest Received		(34,494)
	Investing Activities		
(417)	Profit/(Loss) on Disposals	12/13	(315)
84,510	Purchase of property, plant & equipment and intangible assets	12/13	143,359
(27,226)	(Increase)/Decrease in Developers' Contributions – Receipts in Advance		(47,105)
15,883	**Financing Activities**		(917,284)
(154,208)	Increase/(Decrease) in Short-Term Investments		898,507
	Increase/(Decrease) in Long-Term Investments		
(221,967)	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**(148,614)**
357,367	Cash and Cash Equivalents b/f	16	579,335
579,335	Cash and Cash Equivalents c/f	16	727,949
221,967	**Movement in Cash and Cash Equivalents**		**148,614**

NOTES TO THE FINANCIAL STATEMENTS

1. THE MOVE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial statements for 2010/11 are the first to be prepared on an International Financial Reporting Standards (IFRS) basis, adapted for the public sector by the Code of Practice on Local Authority Accounting (The Code). This has resulted in the restatement of some opening balances and transactions, with the result that some prior year comparative figures in the financial statements for 2010/11 are different from the equivalent figures presented in the financial statements for 2009/10.

The most significant differences and reasons for the differences are explained below:

Cash and Cash Equivalents – the definition of Cash and Cash Equivalents has changed to include highly liquid investments previously shown within Short Term Investments. The Authority has determined that investments realisable within 24 hours are deemed to be highly liquid.

Capital Grants and Contributions – capital grants and contributions without conditions are now recognised as income when they become receivable. However if conditions do exist, they are treated as Receipts in Advance until such time as those conditions are met. This has resulted in some developers' contributions transferring from Receipts in Advance (Long term liabilities) to Developers Contributions Unapplied (Usable reserve).

Accumulated Absences – IFRS has required the Authority to calculate the value of accumulated employee benefits, such as annual leave, flexi leave and other employee benefits accrued by staff but not taken at the year end. The value of accrued benefit is recorded in the Comprehensive Income and Expenditure Statement and in the Balance Sheet as a short-term creditor and in the Accumulated Absences Account.

The following table sets out the impact of the restatement items on the 2009/10 Comprehensive Income and Expenditure Statement:

	Cost of Services	(Surplus) / Deficit on the Provision of Services
	£000	**£000**
SORP 2009/10	4,595	352
Movement in Accumulated Absences	(21)	(21)
Developers Contributions (No conditions)	0	(49)
IFRS 2009/10	**4,574**	**282**

NOTES TO THE FINANCIAL STATEMENTS

The following table sets out the impact of the restatement items on the Balance Sheet as at 31 March 2010.

	SORP as at 31 March 2010	Reclassification	Cash Equivalents	Deferred Grants	Grant Conditions	Accumulated Absences	IFRS as at 31 March 2010
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Short Term Investments	2,573	0	(550)	0	0	0	2,023
Cash and Cash Equivalents	29	0	550	0	0	0	579
Short Term Creditors and Receipts in Advance	(828)	25	0	0	0	(65)	(868)
Capital Grant – Receipt In Advance	0	(25)	0	0	0	0	(25)
Accumulated Absences Account	0	0	0	0	0	65	65
Developers Contributions – Receipts in Advance	(236)	0	0	0	151	0	(85)
Developers Contributions Unapplied	0	0	0	0	(151)	0	(151)
Total	**1,538**	**0**	**0**	**0**	**0**	**0**	**1,538**

The following table sets out the impact of the restatement items on the Balance Sheet as at 31 March 2009.

	SORP as at 31 March 2009	Asset Reclassification	Cash Equivalents	Deferred Grants	Grant Conditions	Accumulated Absences	IFRS as at 31 March 2009
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Short Term Investments	2,382	0	(375)	0	0	0	2,007
Cash and Cash Equivalents	0	(18)	375	0	0	0	357
Short Term Creditors and Receipts in Advance	(416)	0	0	(212)	0	(86)	(714)
Bank Overdraft	(18)	18	0	0	0	0	0
Accumulated Absences Account	0	0	0	0	0	86	86
Earmarked Reserves	(555)	0	0	212	0	0	(343)
Developers Contributions – Receipts in Advance	(161)	0	0	0	103	0	(58)
Developers Contributions Unapplied	0	0	0	0	(103)	0	(103)
Total	**1,232**	**0**	**0**	**0**	**0**	**0**	**1,232**

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11 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 fixed 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 fixed 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.

NOTES TO THE FINANCIAL STATEMENTS

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

- 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 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 Pension 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.

NOTES TO THE FINANCIAL STATEMENTS

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 credit 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 or 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 BVACOP 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2011**
Property, Plant and Equipment	
Equipment - ICT Hardware	Up to 4 years
- Other Equipment	Up to 10 years
- Major Plant	5 years
Vehicle - Van	2 years
Premises – Temporary Building	15 years
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 council tax, as the cost of fixed 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 2011 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.

NOTES TO THE FINANCIAL STATEMENTS

3. 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. There is one such standard which relates to Heritage Assets.

Financial Reporting Standard (FRS) 30 on Heritage Assets will require the Authority to recognise Heritage Assets as a separate class of assets for the first time in the 2011/12 accounts.

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for the contribution they make to knowledge and culture.

At present it is thought unlikely that the Authority owns any assets that will fall within this category. However if applicable, any balances as at 31 March 2011 will be restated in the 2011/12 financial statements in order to provide comparative figures in the 2011/12 financial statements.

4. 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.

The critical judgements that have the most significant effect on the amounts in the financial statements are:

Asset reclassifications – the Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Authority they are deemed to be Property, Plant and Equipment assets. If the asset is being held solely there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

5. 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 2011 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 £770,000. During 2010/11, the Authority's actuaries advised that the net pension liability had decreased by £498,000 as a result of estimates being corrected as a result of experience and decreased by £64,000 attributable to updating of the assumptions.
Icelandic Bank Investment (Heritable)	Calculations assume a return of 85%. 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 85%. If assets are sold for more than estimated, the return could be higher than 85%.

NOTES TO THE FINANCIAL STATEMENTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2009/10		2010/11
£		**£**
	Adjustments on Developers Contributions Unapplied	
48,563	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**46,766**
	Adjustments on Capital Adjustment Account:	
84,510	Capital expenditure charged in year to the General Fund	111,959
(126,178)	Depreciation and Impairment of Fixed Assets	(115,011)
(417)	Profit/(Loss) on Disposal of Fixed Assets	(315)
(12,603)	Revenue Expenditure Funded from Capital Under Statute	(309,400)
12,603	Financing of Capital Expenditure – Developers Contributions	0
0	Financing of Capital Expenditure – Capital Grants	340,800
(42,085)		**28,033**
	Adjustments on Pensions Reserve:	
(534,000)	Net charges made for retirement benefits in accordance with IAS19	703,000
419,000	Employer's contributions payable to the HCC Pension Fund	390,000
(115,000)		**1,093,000**
	Adjustments on Accumulated Absence Account:	
21,709	(Increase)/Decrease in provision	**1,917**
(86,813)	**Net additional amount to be (credited)/debited to the General Fund Balance for the year**	**1,169,716**

NOTES TO THE FINANCIAL STATEMENTS

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 Best Value Accounting Code of Practice. This table shows the figures in the internal reporting format of the Authority:

	Externally-Funded Programme	Programme Fund	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	(38)	**(352)**
Government grants	(1,100)	0	(17)	0	(8)	(4,041)	**(5,166)**
Other grants and contribs.	(77)	0	0	0	(8)	0	**(85)**
Total Income	**(1,177)**	**0**	**(331)**	**0**	**(16)**	**(4,079)**	**(5,603)**
Employee expenses	0	0	0	0	2,648	0	**2,648**
Other service expenses	1,177	568	202	1,143	0	0	**3,090**
Total Expenditure	**1,177**	**568**	**202**	**1,143**	**2,648**	**0**	**5,738**
Net Expenditure	**0**	**568**	**(129)**	**1,143**	**2,632**	**(4,079)**	**135**
Revised Budget	0	656	(228)	1,163	2,658	(4,104)	145
(Saving)/Overspend	0	(88)	99	(20)	(26)	25	(10)

NOTES TO THE FINANCIAL STATEMENTS

	Externally-Funded Programme	Programme Fund	Strategy & Planning	Central Costs	Employee Costs	Finance & Efficiency	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2009/10:							
Fees, charges and other service income	0	0	(267)	0	0	(65)	**(332)**
Government grants	(550)	0	(124)	0	(23)	(4,186)	**(4,883)**
Other grants and contribs.	(78)	0	0	0	0	0	**(78)**
Total Income	**(628)**	**0**	**(391)**	**0**	**(23)**	**(4,251)**	**(5,293)**
Employee expenses	0	0	0	0	2,908	0	**2,908**
Other service expenses	628	654	108	1,190	0	0	**2,580**
Total Expenditure	**628**	**654**	**108**	**1,190**	**2,908**	**0**	**5,488**
Net Expenditure	**0**	**654**	**(283)**	**1,190**	**2,885**	**(4,251)**	**195**
Original Budget	0	1,090	(302)	1,190	2,726	(4,220)	484
(Saving)/Overspend	0	(436)	19	0	159	(31)	(289)

	2009/10	**2010/11**
	£000	**£000**
Net expenditure in the Portfolio Analysis	195	135
Amounts in the Comprehensive Income and Expenditure	(25)	(1,163)
Statement not reported to management for decision making Amounts reported to management for decision making but not included under Net Cost of Services in the Comprehensive Income and Expenditure Account	4,404	4,262
Cost of Services in Comprehensive Income and Expenditure Statement	**4,574**	**3,234**

NOTES TO THE FINANCIAL STATEMENTS

2010/11	Portfolio Analysis	Amounts not reported to management for decision making but included in Net Cost of Services	Amounts reported to management for decision making but not included in Net Cost of Services	Total
	£000	**£000**	**£000**	**£000**
Fees, charges and other service income	(318)	0	0	(318)
Interest and investment income	(34)	0	34	0
Government grants and contributions	(5,166)	0	4,228	(938)
Other grants and contributions	(85)	0	0	(85)
Total Income	**(5,603)**	**0**	**4,262**	**(1,341)**
Employee expenses	2,648	(1,171)	0	**1,477**
Other service expenses	3,090	0	0	**3,090**
Impairment	0	8	0	**8**
Total Expenditure	**5,738**	**(1,163)**	**0**	**4,575**
(Surplus) or deficit on the provision of services	**135**	**(1,163)**	**4,262**	**3,234**

NOTES TO THE FINANCIAL STATEMENTS

2009/10	Portfolio Analysis	Amounts not reported to management for decision making but included in Net Cost of Services	Amounts reported to management for decision making but not included in Net Cost of Services	Total
	£000	£000	£000	£000
Fees, charges and other service income	(267)	0	0	(267)
Interest and investment income	(65)	0	65	0
Government grants and contributions	(4,883)	0	4,339	(544)
Other grants and contributions	(78)	0	0	(78)
Total Income	**(5,293)**	**0**	**4,404**	**(889)**
Employee expenses	2,908	(51)	0	**2,857**
Other service expenses	2,580	0	0	**2,580**
Impairment	0	26	0	**26**
Total Expenditure	**5,488**	**(25)**	**0**	**5,463**
(Surplus) or deficit on the provision of services	**195**	**(25)**	**4,404**	**4,574**

NOTES TO THE FINANCIAL STATEMENTS

8. GRANT INCOME

New Forest National Park Authority received Parliament approved grant of £4,228,096 from the Department of the Environment, Food and Rural Affairs (2009/10 was £4,338,766).

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

2009/10			2010/11
£000s			£000s
	Service Specific Revenue Grants and Contributions (included in cost of services)		
(107)	Housing & Planning Delivery Grant	Dept for Communities and Local Government	0
(17)	Habitats Grant	Dept for Communities and Local Government	(17)
(23)	Climate Change Grant	Dept for Communities and Local Government	(8)
(25)	National Parks 60th Anniversary Grant	Dept for Environment, Food & Rural Affairs	0
(87)	New Accommodation Project	Dept for Environment, Food & Rural Affairs	0
0	Higher Level Stewardship - Archaeology	Forestry Commission	(71)
(49)	Site of Special Scientific Interest Restoration	Environment Agency	(245)
(279)	Site of Special Scientific Interest Restoration	Natural England	(75)
0	New Forest Land Advice Service	Natural England	(15)
0	New Forest Land Advice Service	Verderers	(7)
(5)	Maritime Archaeology Project	Hampshire County Council	(5)
(20)	Maritime Archaeology Project	National Heritage Memorial Fund (Lottery)	(107)
0	Maritime Archaeology Project	English Heritage	(59)
(4)	Maritime Archaeology Project	The Crown Estates	(4)
(15)	Maritime Archaeology Project	Esso Petroleum Ltd	0
(8)	Archaeology Bursary	Institute of Field Archaeologists	(9)
(55)	New Forest Produce	New Forest Produce Ltd	(48)
(23)	Ranger Contribution	Esso Petroleum Ltd	(8)
0	Other	Miscellaneous	(4)
(717)			**(682)**
	Capital Grants and Contributions		
0	Higher Level Stewardship – Beaulieu Road	Forestry Commission	(266)
0	Higher Level Stewardship – Beaulieu Road	Sustainable Development Fund	(29)
0	Higher Level Stewardship – Beaulieu Road	Miscellaneous	(14)
0	All Ability Bikes	Hampshire County Council	(30)
0	All Ability Bikes	New Forest District Council	(1)
(89)	Developers Contributions	Miscellaneous	(94)
(89)			**(434)**
(806)	Total Grant and Contributions Income		**(1,116)**

9. IMPAIRMENTS

Property, Vehicles, Plant & Equipment or Long-Term 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. In 2010/11 this resulted in Land and Buildings (the Portacabin) being impaired by £8,000 (£27,200 in 2009/10).

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

The expected impairment has been reduced as payments have been received and an adjustment for 2010/11 of £1,090 has been credited to the Comprehensive Income & Expenditure Account.

The estimated loss at 31 March 2011 is 15.02%.

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:

NOTES TO THE FINANCIAL STATEMENTS

	2009/10	2010/11
	£	**£**
Comprehensive Income and Expenditure Account		
Cost of Services:		
Current Service cost	310,000	352,000
Past Service Cost (i)	58,000	(1,133,000)
Financing and Investment Income and Expenditure		
Interest Cost	332,000	362,000
Expected return on assets in the scheme	(166,000)	(284,000)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**534,000**	**(703,000)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	684,000	1,049,000
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**1,218,000**	**346,000**
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	(799,000)	44,000
Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	**419,000**	**390,000**

(i) Payments of £16,000 were made in relation to Past Service costs during the year. Therefore the credit required to Services was £1,149,000 as shown under 'Non-Distributed Costs' in the Net Cost of Services section of the Comprehensive Income and Expenditure Statement. This was not distributed as it 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 2011 is a loss of £3.625m. New Forest National Park's standard contribution rate in 2010/11 was 19.1% of members' pay. The contribution rate certified at the 31 March 2010 valuation for April 2011 to March 2012 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 £383,000. 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).

NOTES TO THE FINANCIAL STATEMENTS

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 2007	31 March 2008	31 March 2009	31 March 2010	31 March 2011
	£	£		£	£
Estimated liabilities in scheme	(1,472,000)	(3,734,000)	(4,928,000)	(7,292,000)	(7,031,000)
Estimated assets in scheme	1,208,000	2,869,000	2,716,000	4,281,000	4,064,000
Net assets/(liabilities)	**(264,000)**	**(865,000)**	**(2,212,000)**	**(3,011,000)**	**(2,967,000)**

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 has the effect of reducing the Authority's liabilities in the Hampshire County Council Pension Scheme by £1,149,000 and has been recognised as a past service gain in accordance with guidance set down in UITF (Urgent Issues Task Force) Abstract 48, since the change is considered to be a change in benefit entitlement. There is 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 £2,967,000 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.

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Present Value of the Scheme Liabilities

	2009/10	2010/11
	£	**£**
Opening balance at 1 April	**(4,928,000)**	**(7,292,000)**
Current Service Cost	(310,000)	(352,000)
Interest Cost	(332,000)	(362,000)
Contributions by Participants	(138,000)	(139,000)
Actuarial Gains/(Losses) on Liabilities	(1,501,000)	(434,000)
Net Benefits Paid Out	(25,000)	415,000
Past Service Costs	(58,000)	1,133,000
Closing balance at 31 March	**(7,292,000)**	**(7,031,000)**

Reconciliation of Fair Value of the Scheme Assets

	2009/10	2010/11
	£	**£**
Opening balance at 1 April	**2,716,000**	**4,281,000**
Expected Return on Assets	166,000	284,000
Actuarial Gains/(Losses) on Assets	817,000	(615,000)
Contributions by the Employer	419,000	390,000
Contributions by Participants	138,000	139,000
Net Benefits Paid Out	25,000	(415,000)
Closing balance at 31 March	**4,281,000**	**4,064,000**

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on assets in the year was a loss of £331,000 (2009/10 was gain of £983,000).

NOTES TO THE FINANCIAL STATEMENTS

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 2010**	**31 March 2011**
	%	**%**
Rate of inflation – CPI	N/A	2.9
Rate of inflation – RPI	4.0	3.8
Rate of increase in salaries	5.5	5.3
Rate of increase in pensions	4.0	2.9
Rate of increase in deferred pensions	4.0	2.9
Rate for discounting scheme liabilities	5.6	5.4

Mortality Assumptions	**31 March 2010**	**31 March 2011**
	Years	**Years**
Future lifetime from age 65 (currently aged 65)		
Males	22.3	23.8
Females	24.3	24.8
Future lifetime from age 65 (currently aged 45)		
Males	24.7	25.6
Females	26.5	26.7

31 March 2010			**Assets**	**31 March 2011**		
£	**%**	**Long-Term Return %**		**£**	**%**	**Long-Term Return %**
2,624,250	61	8.0	Equities	2,576,580	64	8.4
1,044,570	25	4.5	Government Bonds	946,910	23	4.4
102,740	2	5.5	Corporate Bonds	69,090	2	5.1
261,140	6	8.5	Property	296,670	7	7.9
248,300	6	0.7	Cash	174,750	4	1.6
		6.7	Average			7.1
4,281,000	**100**		**Total**	**4,064,000**	**100**	

The Authority employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2011.

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 2007	31 March 2008	31 March 2009	31 March 2010	31 March 2011
	£	£		£	£
Experience gains/(losses) on assets	(1,000)	1,081,000	(845,000)	817,000	(615,000)
Experience gains/(losses) on liabilities	0	(1,970,000)	(1,000)	6,000	(498,000)
Liability gains/(losses) due to assumption changes	9,000	402,000	(532,000)	(1,507,000)	64,000
Total Actuarial Gain/(Loss)	**8,000**	**(487,000)**	**(1,378,000)**	**(684,000)**	**(1,049,000)**

e) Movement in the Pensions Reserve

	2009/10	Pensions Reserve		2010/11
	£			£
	(2,212,000)	**Net Liability at 1 April**		**(3,011,000)**
		Movement in year:		
		Operating Charge		
(310,000)		Current Service Costs	(352,000)	
(58,000)	(368,000)	Past Service Costs	1,133,000	781,000
		Contributions		
	419,000	Cash paid - Funded Liabilities		390,000
		Finance Income		
166,000		Expected Return on Assets	284,000	
(332,000)	(166,000)	Interest on Liabilities	(362,000)	(78,000)
	(684,000)	**Actuarial Gain/(Loss)**		(1,049,000)
	(3,011,000)	**Net Liability at 31 March**		**(2,967,000)**

NOTES TO THE FINANCIAL STATEMENTS

Further information on the Pension Fund can be obtained from:
The County Treasurer
Hampshire County Council
The Castle
Winchester
SO23 8UJ Telephone: (01962) 841841

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:

	2009/10	2010/11
	£	**£**
Opening Capital Financing Requirement	0	0
Capital Investment		
Operational Assets	71,337	110,390
Intangible Assets	13,173	32,969
Revenue Expenditure funded from Capital under statute	12,603	309,400
Sources of Finance		
Revenue Provision	(84,510)	(111,959)
Developers Contributions	(12,603)	0
Capital Grants	0	(340,800)
Closing Capital Financing Requirement	**0**	**0**

12. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

a) Valuation of Fixed Assets

The premises asset was initially valued on 31 March 2006 and has been revalued each year since, with the last valuation on 31 March 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.

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.

	2009/10	2010/11
Administration Building	1	1
Vehicle (Van)	1	1
Plant	1	1
Other Equipment	26	52
ICT Hardware*	153	163
ICT Software	8	11

*****31 new and 21 disposals in 2010/11

NOTES TO THE FINANCIAL STATEMENTS

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.

	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	Total
	£		£	£	£			£
Land and Buildings		165,000	(37,000)	(30,500)	(24,300)	(27,200)	(8,000)	38,000
Vehicles, Plant and Equipment	371,759							371,759
Intangible Assets	279,809							279,809
Total	651,568	165,000	(37,000)	(30,500)	(24,300)	(27,200)	(8,000)	689,568

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

d) Movements on Property, Vehicles, Plant & Equipment Assets during the year

Operational Assets 2010/11	**Land & Buildings**	**Vehicles, Plant & Equipment**	**Total**
	£	**£**	**£**
Certified valuation at 31 March 2010	46,000	271,809	317,809
Accumulated depreciation & impairment	-	(127,512)	(127,512)
Net book value of assets at 31 March 2010	**46,000**	**144,297**	**190,297**
Movement in 2010/11			
Additions		110,389	110,389
Disposals		(315)	(315)
Impairment	(8,000)		(8,000)
Depreciation		(43,914)	(43,914)
Depreciation w/b on Disposals		(10,124)	(10,124)
Net book value of assets at 31 March 2011	**38,000**	**200,333**	**238,333**

NOTES TO THE FINANCIAL STATEMENTS

Operational Assets 2009/10	**Land & Buildings**	**Vehicles, Plant & Equipment**	**Total**
	£	**£**	**£**
Certified valuation at 31 March 2009	73,200	221,875	295,075
Accumulated depreciation & impairment	-	(97,377)	(97,377)
Net book value of assets at 31 March 2009	**73,200**	**124,498**	**197,698**
Movement in 2009/10			
Additions		71,337	71,337
Disposals		(417)	(417)
Impairment	(27,200)		(27,200)
Depreciation		(30,135)	(30,135)
Depreciation w/b on Disposals		(20,986)	(20,986)
Net book value of assets at 31 March 2010	**46,000**	**144,297**	**190,297**

e) Depreciation

Depreciation is provided on all assets with a determinable finite life by allocating the value of the asset over the periods expected to benefit from their use. All depreciation is calculated on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

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.

2009/10	Intangible Assets	2010/11
£		£
237,667	**Certified valuation at 31 March 2010**	250,840
(125,343)	Accumulated depreciation & impairment	(173,200)
112,324	**Net book value of assets at 31 March 2010**	**77,640**
	Movement in 2010/11	
13,173	Additions	32,970
(47,857)	Depreciation	(48,974)
0	Depreciation w/b on Disposals	(4,000)
77,640	**Net book value of assets at 31 March 2011**	**57,636**

14. INVENTORY

At 31 March 2011 the Authority held goods for resale with a value of £19,282.

	2009/10	2010/11
	£	£
Balance at start of year	**186**	**0**
Purchases	0	21,568
Sales	0	(2,286)
Written Off Amounts	(186)	0
Balance at end of year	**0**	**19,282**

NOTES TO THE FINANCIAL STATEMENTS

15. DEBTORS

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

	2009/10	2010/11
	£	£
HM Revenues & Customs	78,115	81,308
Payments in Advance	60,122	34,434
Other Debtors	27,523	152,514
	165,760	**268,256**

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 2010	Cash change in year	At 31 March 2011
	£	£	£
Cash in hand	217	424	641
Cash in bank / (overdraft)	29,118	(151,841)	(122,723)
Cash Equivalent – Treasury Call Account	550,000	(450,000)	100,000
Cash Equivalent – Money Market Fund	0	750,000	750,000
Cash Equivalent – Interest Due/Payable	0	31	31
	579,335	**148,614**	**727,949**

NOTES TO THE FINANCIAL STATEMENTS

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.

	2009/10	2010/11
	£	**£**
New Forest District Council	19,023	12,074
Hampshire County Council	64,195	48,001
Capital Grant In Advance – New Accommodation Project*	25,120	775,120
Receipt in Advance – Sites of Special Scientific Interest	340,960	66,323
Accrued Interest Payable	4	23
Other creditors and receipts in advance	443,378	286,937
Total Creditors & Receipts in Advance	**892,680**	**1,188,478**

*****This constitutes a grant from the Department for Environment, Food & Rural Affairs towards the Authority moving into permanent shared premises at Lymington Town Hall (Autumn 2011).

18. DEVELOPERS CONTRIBUTIONS

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

	2009/10	2010/11
	£	**£**
Opening Balance at 1 April	**(161,035)**	**(236,824)**
Total Contributions Received	(88,392)	(93,871)
Contributions Released	12,603	0
Closing Balance at 31 March	**(236,824)**	**(330,695)**

NOTES TO THE FINANCIAL STATEMENTS

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:

	2009/10	Movement	2010/11
	£		£
Long Term Liabilities	(85,395)	(47,105)	(132,500)
Developers Contributions Unapplied	(151,429)	(46,766)	(198,195)
Total Developers Contributions Held	**(236,824)**	**(93,871)**	**(330,695)**

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 2010	Net Movement in year	Balance 31 March 2011
	£	£	£
Sustainable Development	(323,664)	11,869	(311,795)
Donations	(135)	0	(135)
Maritime Archaeology	(2,817)	(149)	(2,966)
Historic Buildings	(35,046)	0	(35,046)
HQ Reserve	0	(1,842)	(1,842)
Total	**(361,662)**	**9,878**	**(351,784)**

	Balance 1 April 2009	Net Movement in year	Balance 31 March 2010
	£	£	£
Sustainable Development	(277,725)	(45,939)	(323,664)
Donations	(135)	0	(135)
Maritime Archaeology	0	(2,817)	(2,817)
Historic Buildings	0	(35,046)	(35,046)
Local Development Framework	(65,000)	65,000	0
Total	**(342,860)**	**(18,802)**	**(361,662)**

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 2010	Net Movement in year	Balance at 31 March 2011
	£	£	£
General Fund	(1,486,651)	130,094	(1,356,557)
Earmarked Reserves (Note 19)	(361,662)	9,878	(351,784)
Developers Contributions Unapplied (Note 18)	(151,429)	(46,766)	(198,195)
Total	**(1,999,742)**	**93,206**	**(1,906,536)**

	Balance at 1 April 2009	Net Movement in year	Balance at 31 March 2010
	£	£	£
General Fund	(1,700,800)	214,149	(1,486,651)
Earmarked Reserves (Note 19)	(342,860)	(18,802)	(361,662)
Developers Contributions Unapplied (Note 18)	(102,866)	(48,563)	(151,429)
Total	**(2,146,526)**	**146,784**	**(1,999,742)**

21. UNUSABLE RESERVES

A Revaluation Reserve shows revaluation gains accumulated since 1 April 2007. There have been no revaluation gains recorded and therefore both the opening and closing balances on the reserve are nil.

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.

NOTES TO THE FINANCIAL STATEMENTS

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	**2009/10**	**2010/11**
	£	**£**
Opening Balance at 1 April	(310,022)	(267,937)
Depreciation Charge	98,978	107,011
Impairment Charge	27,200	8,000
Non-current assets written off on Disposal	417	315
Revenue Expenditure funded from Capital under statute	12,603	309,400
Financing of Capital Expenditure from Revenue Resources	(84,510)	(111,959)
Financing of Capital Expenditure from Developers Contributions	(12,603)	0
Financing of Capital Expenditure from Capital Grants	0	(340,800)
Closing Balance at 31 March	**(267,937)**	**(295,970)**

Other Unusable Reserves:

Pensions Reserve	**2009/10**	**2010/11**
	£	**£**
Opening Balance at 1 April	2,212,000	3,011,000
Movement in Year (See Note 10)	799,000	(44,000)
Closing Balance at 31 March	**3,011,000**	**2,967,000**

NOTES TO THE FINANCIAL STATEMENTS

Accumulated Absence Account	2009/10	2010/11
	£	£
Opening Balance at 1 April	86,533	64,824
Movement in Year – Increase/(Decrease)	(21,709)	(1,917)
Closing Balance at 31 March	**64,824**	**62,907**

22. INVESTING ACTIVITIES

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

23. FINANCING ACTIVITIES

Financing and Management of Liquid Resources

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

	Balance at 1 April 2010	Movement in year	Balance at 31 March 2011
	£	£	£
Temporary Investments	2,022,779	(917,284)	1,105,495
	2,022,779	**(917,284)**	**1,105,495**

NOTES TO THE FINANCIAL STATEMENTS

Icelandic Investment

The Authority had an investment in an Icelandic Bank (Heritable) during 2008 when it defaulted. The latest position is shown below:

	£000
Initial Investment	500
Total Impairment up to 31 March 2010	(137)
Impairment Adjustment 2010/11	1
Total Estimated Recovery	**364**

	£000
Amount Received up to 31 March 2011	217
Amount Due within 1 year	103
Amount Due after 1 year	44
Total Estimated Recovery	**364**

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 in the 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.

	31 March 2010	**31 March 2011**
	£	**£**
Heritable Bank (Icelandic Bank)	145,119	43,626
Money Market Investment	0	1,000,000
	145,119	**1,043,626**

NOTES TO THE FINANCIAL STATEMENTS

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 2010 £	31 March 2011 £	31 March 2010 £	31 March 2011 £
Financial liabilities at amortised cost	0	0	0	0
Trade Creditors	0	0	402,001	192,072
Total Borrowings	**0**	**0**	**402,001**	**192,072**
Loans and Receivables	145,119	1,043,626	2,018,263	1,102,295
Accrued Interest	0	68	4,516	3,200
Trade Debtors	0	0	27,523	152,514
Loans & receivables at amortised cost	**145,119**	**1,043,694**	**2,050,302**	**1,258,009**
Financial Assets at fair value through the I&E a/c	0	0	0	0
Cash and Cash Equivalents	0	0	579,335	727,949
Total Investments	**145,119**	**1,043,694**	**2,629,637**	**1,985,958**

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:-

	2009/10		Restated 2009/10		2010/11	
	Financial Liabilities – amortised cost £	Loans and Receivables £	Financial Liabilities – amortised cost £	Loans and Receivables £	Financial Liabilities – amortised cost £	Loans and Receivables £
Interest Expense	80		80		108	
Impairment Losses		(6,180)		(6,180)		(1,090)
Interest Income (i)		(64,555)		(64,119)		(33,912)
Net Gain/(Loss) for the year	**80**	**(70,735)**	**80**	**(70,299)**	**108**	**(35,002)**

(i) The restated 2009/10 and the 2010/11 figures do not include interest on the Treasury Call Account

The fair value is calculated for loans with a maturity period of longer than 364 days as at 31 March 2011 and only applies to investments where the principal amount may vary with market conditions. All loans and investments of the Authority are straight forward instruments and there is no market variation to calculate.

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 2010		Restated 31 March 2010		31 March 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
	£	£	£	£	£	£
Financial liabilities at amortised cost	0	0	0	0	0	0
Trade Creditors	742,961	742,961	402,001	402,001	192,072	192,072
Total Borrowings	**742,961**	**742,961**	**402,001**	**402,001**	**192,072**	**192,072**
Money Market Investments shorter than 1 year	2,568,263	2,568,263	2,018,263	2,018,263	1,102,295	1,102,295
Money Market Investments longer than 1 year	145,119	145,119	145,119	145,119	1,043,626	1,043,626
Bonds	0	0	0	0	0	0
Trade Debtors	165,760	165,760	27,523	27,523	152,514	152,514
Total Loans and Receivables	**2,879,142**	**2,879,142**	**2,190,905**	**2,190,905**	**2,298,435**	**2,298,435**
Cash and Cash Equivalents	0	0	579,335	579,335	727,949	727,949
Total Investments	**2,879,142**	**2,879,142**	**2,770,240**	**2,770,240**	**3,026,384**	**3,026,384**

NOTES TO THE FINANCIAL STATEMENTS

24. MEMBERS' ALLOWANCES

During 2010/11, payments to Members of the National Park amounted to £55,669. This sum includes all allowances plus travel and subsistence payments.

	2009/10 **£**	**2010/11** **£**
Salaries	0	0
Allowances	49,084	51,059
Expenses (Travel & Subsistence)	5,500	4,610
TOTAL	**54,584**	**55,669**

NOTES TO THE FINANCIAL STATEMENTS

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 2010/11:

Post holder information (Post title)	Notes	Salary (including Fees & Allowances)	Bonuses	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	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.

NOTES TO THE FINANCIAL STATEMENTS

The following table sets out the comparative position shown in the above table for 2009/10:

Post holder information (Post title)	Notes	Salary (including Fees & Allowances)	Bonuses	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2009/10	Pension contribution (18.6%)	Total Remuneration including pension contributions 2009/10
Chief Executive	**1**	38,089	0	0	0	38,089	7,085	45,174
Director of Conservation, Recreation & Sustainable Development	**2**	57,687	500	0	0	58,187	10,823	69,010
Director of Conservation, Recreation & Sustainable Development	**3**	4,392	0	0	32	4,424	823	5,247
Director of Strategy & Planning	**4**	15,387	0	0	0	15,387	2,862	18,249
Director of Strategy & Planning	**5**	45,481	0	0	0	45,481	8,459	53,940
Director of Information and Visitor Services		55,854	1,000	0	0	56,854	10,575	67,429

Note 1: The Chief Executive left post on 30th June 2009; the annualised salary for this post was £86,212. An Interim Chief Executive was appointed through an agency. In the course of the financial year, the total payments made to the agency in respect of this agreement were £194,605. All costs of the Chief Executive are included in Corporate and Democratic Core.
Note 2: The Director of Conservation, Recreation & Sustainable Development left post on 26th February 2010; the annualised salary for this post would have been £62,164.
Note 3: The Director of Conservation, Recreation & Sustainable Development took up post on 1st March 2010; the annualised salary for this post would have been £50,032.
Note 4: The Director of Strategy & Planning left post on 30th June 2009; the annualised salary for this post would have been £62,164.
Note 5: The Director of Strategy & Planning took up post on 30th June 2009; the annualised salary for this post would have been £55,854.

NOTES TO THE FINANCIAL STATEMENTS

26. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £27,956. Of this total, £8,246 is payable to the Director of Information & Visitor Services, in the form of compensation for loss of office as disclosed in Note 25. The remaining £19,710 is payable to 3 Officers who were made redundant as part of the Authority's rationalisation of all its services (it should be noted that this process was not fully completed by year-end and will therefore continue into the 2011/12 financial year).

27. EXTERNAL AUDIT COSTS

The Authority incurred the following fees relating to external audit:

	2009/10	2010/11
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	30,000	25,440
IFRS Rebate	0	(1,379)
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
	30,000	**24,061**

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 2010/11 Hampshire County Council provided legal and financial services to the Authority including the roles of Monitoring Officer, S151 Officer and Internal Audit. The total cost of these legal and financial services in 2010/11 was £192,000 (£185,000 in 2009/10) and total expenditure with Hampshire County Council for the year was approximately £294,000 (£288,000 in 2009/10).

During 2010/11 New Forest District Council provided financial services and human resources support to the Authority. The total cost of these services in 2010/11 was £90,000 (£75,000 in 2009/10) and total expenditure with New Forest District Council for the year was approximately £171,000 (£155,000 in 2009/10).

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

29. CONTINGENT LIABILITIES

The Authority is not aware of any contingent liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2011 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 2011 £	**Historical experience of default %**	**Market Conditions at 31 March 2011 %**	**Estimated maximum exposure to default £**
Bonds	0	0.00%	0.00%	0
Trade Debtors	152,514	0.81%	0.81%	**1,235**
Total	**152,514**			**1,235**

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 2010 £	31 March 2011 £
Less than three months	27,523	152,514
Three months to one year	0	0
More than one year	0	0
Total	**27,523**	**152,514**

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	31 March 2010 £	Restated 31 March 2010 £	31 March 2011 £
Less than one year	2,568,264	2,604,144	1,830,244
Between one and two years	76,805	76,805	1,043,626
Between two and three years	33,182	33,182	0
More than three years	35,132	35,131	0
Total	**2,713,382**	**2,747,232**	**2,873,870**

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:-

- Borrowing at variable rates – the interest charged to the Income and Expenditure Account will rise. This Authority undertook a limited amount of very short-term cash flow borrowing in 2010/11 and as such this can be classed as variable borrowing rates;

- Investments at variable rates – the interest income credited to the Income and Expenditure Account would rise; and

- Investments at fixed rates – the fair value of the assets would fall. 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.

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.

31. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts has been authorised for issue, the accounts reflect all known post balance sheet events up to the authorised for issue date.

Bob Jackson, CPFA

Chief Finance Officer **29 September 2011**

ANNUAL GOVERNANCE STATEMENT NEW FOREST NATIONAL PARK AUTHORITY 2010/11

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.

On 18 May 2006, the Authority approved and adopted a Code of Corporate Governance, which is consistent with the guidance issued by CIPFA/Solace. The CIPFA/Solace guidance was revised in March 2010 and the Authority has continued to review its governance arrangements in the light of this guidance.

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(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

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 through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether these priorities 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

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.

Through the publication of its annual accounts for the year 2010/11, the Authority provides for explicit accountability to stakeholders for its performance, effectiveness in the delivery of services and the sustainable use of resources.

The Authority sets out long term priorities and objectives for the National Park in a national park management plan (2010-2015). The plan was developed and agreed following extensive community engagement.

The Authority's annual Corporate Plan translates the aim and objectives from the National Park Plan into priority objectives, actions and operational targets for the Authority's work. The Corporate Plan for 2010/11 was published on 22 March 2010 and performance against targets and indicators were reviewed regularly by the Management Board and Resources 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. A four year business plan is under development for future years supported by annual operational plans.

Management information is produced to assist with the measurement of performance. Budgetary control reports are reviewed regularly by the Management Board and by Resources and Performance Committee. The Committee also considers the Authority's medium term financial position. The Chief Executive reports to the Authority on the development and performance of the Authority overall.

The Authority is subject to a full and independent audit of the financial management arrangements in place for 2010/11. Audit reports are issued by the external auditor and considered by the Authority's Resources and Performance Committee.

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, ensuring join up, shared services and avoidance of duplication.

Member representation has continued with the Court of Verderers, the Hampshire and Isle of Wight Local Government Association, the Central Hampshire and New Forest Leaders' Group, New Forest District Local Strategic Partnership, North Solent Shoreline Management Plan, New Forest Local Access Forum, New Forest Ninth Centenary Trust and Campaign for National Parks.

Reports from the New Forest Access Forum and New Forest Consultative Panel are received regularly, and considered by members. Partnership arrangements have been developed 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 is also supporting the MOSAIC partnership, which helps strengthen links between black and ethnic minority groups and national parks.

The Authority has adopted a Statement of Community Involvement. During 2010/11 the core strategy was also adopted following significant consultation with Stakeholders and a full local plan inquiry. Two Village Design statements were also developed with the local community and adopted by the Authority as Supplementary Planning Policies.

In support of the Governments 'Review of Governance of National Park Authorities', the Authority undertook four public meetings and extensive publicity to stimulate views. New Forest National Park Authority received the most responses of any Authority.

Information centres called local information points (LIP's) have been created in shops and post offices help promote National Park messages and get feedback. A large number of events at schools and education centres have taken place to help secure the understanding of the New Forest and engage with children and families, including a presence at the New Forest Show and Volunteer Fair.

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 introduction of Parish Quadrant meetings which are held throughout the year and the visits by the CEO to a large proportion of the Town and Parish Councils in the Park.

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 external auditor has issued a report in the public interest on governance arrangements, which highlights poor decision making and procurement processes surrounding the appointment of Senior Management during 2009/10. Actions to address the issues raised have been implemented.

Since 2009, the management team has been restructured and there is a firm commitment to improving governance arrangements.

The Internal Auditor for 2010/11 has reported to the Authority that there is an appropriate framework of controls in place to ensure policies and procedures are appropriately approved.

The Authority has established a systematic strategy, framework and processes for managing risk. A risk register is held and periodically reviewed by the Management Board and at meetings of the Resources and Performance Committee. Members oversee the strategic direction and annual objectives this enables relevant risks to be identified and evaluated, with consideration given to appropriate mitigation strategies.

Continuous Improvement

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

The Authority has revised its management structure during 2010/11 to further improve economic, efficient and effective services. 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.

Service Level Agreements with Hampshire County Council and New Forest District Council for the provision of financial and legal services were in place. Hampshire County Council provided the services of Chief Finance Officer, provision of strategic financial advice and internal audit, as well as all legal advice. New Forest District Council provided accountancy services. These arrangements have been reviewed so that New Forest District Council will provide all finance services in the next financial year.

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 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.

In 2010/11 the Authority held eight full meetings of the Authority, all of which were 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. The Authority received legal services from Hampshire County Council's Legal Practice under a service level agreement. The Legal Practice is Lexcel-accredited with the Law Society, confirming compliance with best practice requirements. Solicitors consider all reports considered by members, and are present at meetings to give advice to members as required.

There have been a number of workshops for members on various aspects of their responsibilities and developing policies. During 2010/11 two schemes were designed to promote member development and facilitate their involvement in the functions and activities of the NPA and increase interaction with officers of the Authority; Member Days and a Lead Members Scheme, were adopted in February 2011.

The Authority has designated the roles of statutory officers. During the financial year 2010/11 these were:

- Alison Barnes, Chief Executive, National Park Officer and Head of Paid Service (from 1st June 2010, an Interim CEO held the post during April/May),
- Julia Mutlow, Monitoring Officer,
- Ron Meekings, Chief Finance Officer.

As indicated above, 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. In 2010-11 no formal reports by the Monitoring Officer, further to S.5 Local Government and Housing Act 1989, were necessary.

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 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 adopted a revised members' Code of Conduct in September 2007. Following detailed scrutiny by Standards Committee in December 2007, the Authority has also revised its Local Protocol for Members and Officers Dealing with Planning Matters, and Protocol on Member and Officer Relations, to reflect the provisions of the revised Code. The Monitoring Officer is currently reviewing these arrangements with results expected during 2011/12.

In May 2008, the Authority's Standards Committee assumed responsibility for assessing and determining allegations of failure to comply with the Members' Code of Conduct. There was one complaint made during 2010/11.

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 Authority has adopted policies on Anti-fraud and Corruption and Whistleblowing. Standing Orders on Contracts and Financial Regulations are in place. It has been identified that a policy will be required for the Bribery Act 2010 and the Anti-Money Laundering Regulations. A Staff Code of Conduct is in place.

Internal audit coverage was provided under a service level agreement by Hampshire County Council's Internal Audit Service. The Internal Audit Annual Opinion for 2010/11 reports no significant control weaknesses and reasonable assurance regarding the effective, efficient and economic achievement of the Authority's objectives.

The External Auditor reported limitations of the Internal Audit team's financial coverage. This has been addressed by the Authority and new arrangements have been in place from April 2011.

Resources and Performance Committee Members (acting as the Audit Committee) requested additional testing on the internal control environment of the key financial systems. Internal Audit has reported that there are no significant control weaknesses in three of the four systems. Improvements have been recommended in relation to the Accounts Payable system.

During 2010/11 a questionnaire was developed and sent to employees, which allowed for a self assessment on internal controls. Results will be analysed during 2011/12.

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.

Significant governance issues:

Further to the external auditors report on the review of governance arrangements, issued under section 8 of the Audit Commission Act 1998, the Authority has implemented recommendations made by the external auditor. Internal Audit will test the implementations made. The external auditor has reported that the Authority has displayed a commitment to improving its governance arrangements.

A governance issue has been identified during 2010/11, which relates to the Accounts Payable system. Whilst all payments reviewed have now been correctly approved, recommendations have been made by internal audit. Each action will be assigned a responsible officer and a target date for completion.

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

- Updating policies, primarily for the Bribery Act and Anti Money Laundering Policy
- Updating of the Risk Register
- Implementation of the new Business Plan

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 2011 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:………………………
Chairman	Chief Executive
Date: 29th September 2011	Date: 29th September 2011

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

Opinion on the Authority accounting statements

I have audited the accounting statements of New Forest National Park Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

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

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 accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

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. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the criteria for other local government bodies published by the Audit Commission in October 2010.

I planned my work in accordance with the Code of Audit Practice . Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit commission in October 2010, I am satisfied that, in all significant respects, New Forest National Park Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

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.

Patrick Jarvis

Officer of the Audit Commission

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30 September 2011