South Downs
National Park Authority

AUDITED STATEMENT OF ACCOUNTS

2010/2011

Illustrative map of South Downs National Park

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Certification by Chair

I confirm that these accounts were approved by the Audit Committee at a meeting held on 27 September 2011.

Signed on behalf of the South Downs National Park Authority

Norman Dingemans

Chair

Audit Committee

Date: 27 September 2011

Introduction and Explanatory Foreword to the Accounts

Introduction

The South Downs National Park ("the National Park") is England's newest National Park, covering the South Downs and Western Weald and is situated in the counties of Hampshire, West Sussex and East Sussex. The proposal for a National Park for the South Downs goes back to the original concept of National Parks in England in 1947, but it was only in 1999 that the Government announced consultation on its creation, and another decade passed before the idea became a reality, with the National Park formally coming into being on 31 March 2010. On 31 March 2009, the Secretary of State announced his intention to designate the area a National Park, and on 12 November 2009 signed the order confirming the designation.

The South Downs National Park Authority ("the Authority") was formed in April 2010, with the 2010/11 financial year being a transitional year. The Authority became fully operational following the transfer of its full powers and responsibilities on 1 April 2011. The 2010/11 budget was therefore a transitional budget to cover the initial set up costs such as IT equipment, recruitment, initial project work, running costs such as staffing costs, Members' allowances, accommodation, support services and supplies and services.

National Park Authorities operate under the Environment Act 1995 and within a complex framework of local authority legislation. The basis for their revenue expenditure is defined by the 'Special Purposes' for which National Parks were designated under the Environment Act 1995. Section 61 of this Act determines the Special Purposes as conserving and enhancing the natural beauty, wildlife and cultural heritage of national parks and for promoting opportunities for the understanding and enjoyment of the National Parks by the public. Authorities also have a duty that seeks to foster the economic and social well-being of local communities within the National Park.

The transitional year has provided the opportunity for the Authority to establish appropriate levels of reserves to provide it with a safety net for risks, unforeseen or other circumstances. The Authority has carried forward an underspending of £2.003m which will be used to fund further transitional costs during 2011/12. It should be noted that the transitional year of 2010/11 does not provide a guide to funding requirements for 2011/12 and beyond. Some of the costs incurred in 2010/11 will not be repeated in 2011/12. For example, it is likely that recruitment and property costs will be lower than in this transitional year, whilst the need to create or replenish reserves is unlikely to be as high in future years. Equally, the budget for future years will require higher funding for statutory and operational functions than is contained in the budget for this transitional year.

Explanatory Foreword

Financial Statements, their Purpose and the Relationship between them

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2010 to 31 March 2011.

The objectives of financial statements are to provide information about the financial position, financial performance and cash flows of the Authority that is useful to a wide range of users in making and evaluating decisions about the allocation of resources.

The Authority has prepared its financial statements in accordance with IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows* and IFRS 8 *Operating Segments* as interpreted by the Code. The Code specifies the format of the statements, disclosures and terminology that are appropriate for local authorities. Under IFRS, the Authority is required to present a complete set of financial statements that comprise:

- Movement in Reserves Statement for the period;
- Comprehensive Income and Expenditure Statement for the period;
- Balance Sheet as at the end of the period;
- Cash Flow Statement for the period; and
- Notes, comprising a summary of accounting policies and other explanatory information.

The financial statements also include a Statement of Responsibilities which sets out the responsibilities of the Authority and the Chief Finance Officer in respect of the Statement of Accounts.

The Authority uses rounding to the nearest £'000 in presenting amounts in its financial statements; some notes are rounded to the nearest £ to aid the presentation and understanding of the financial statements.

The financial statements are set out on pages 13 to 57 and are presented as follows:

Core Single Entity Financial Statements:

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services 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 (GF) Balance. The "Net Increase / Decrease before Transfers to Earmarked Reserves" line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the National Park grant.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves (i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the Authority is not able to use to provide services (i.e. unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement as Adjustments between Accounting Basis and Funding Basis under Regulations.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the Financial Statements

The notes to the financial statements comprise explanatory information. They include the Authority's accounting policies, which detail the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting its financial statements.

Revenue Summary 2010/11

The Authority set a balanced net revenue budget of £7.290m in 2010/11; from this budget it estimated a contribution of £2.009m to earmarked reserves which left a revenue budget of £5.281m to spend on services.

The Authority received gross revenue income of £7.386m in 2010/11 which included the National Park revenue grant of £7.290m received from the Government. The Authority incurred gross revenue expenditure of £3.374m in the same period. The net revenue expenditure was £3.278m, a variation of £2.003m when compared to the budget of £5.281m.

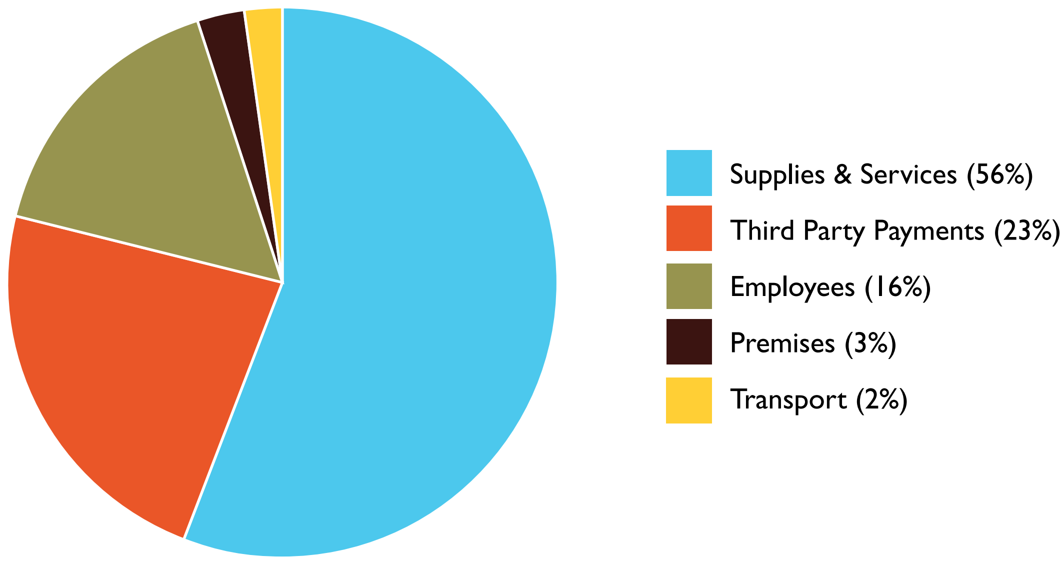
The following table shows a breakdown of the income and expenditure against budget:

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure:			
Employees	1,817	548	(1,269)
Premises	526	107	(419)
Transport	138	50	(88)
Supplies & Services	2,004	1,884	(120)
Third Party Payments	816	785	(31)
Total Expenditure	**5,301**	**3,374**	**(1,927)**
Income:			
Investment Income	(20)	(34)	(14)
Other Grants & Contribution	0	(62)	(62)
Total Income	**(20)**	**(96)**	**(76)**
Net Budget Before Contributions to Earmarked Reserves	**5,281**	**3,278**	**(2,003)**
Contributions to earmarked reserves	2,009	3,098	1,089
Transfers to unusable reserves	0	186	186
Total	**7,290**	**6,562**	**(728)**

Note: Figures in brackets denote underspendings or income received in excess of that budgeted.

The following chart shows the total gross revenue expenditure of £3.374m incurred by the Authority in 2010/11 in percentage terms:

Gross Revenue Expenditure

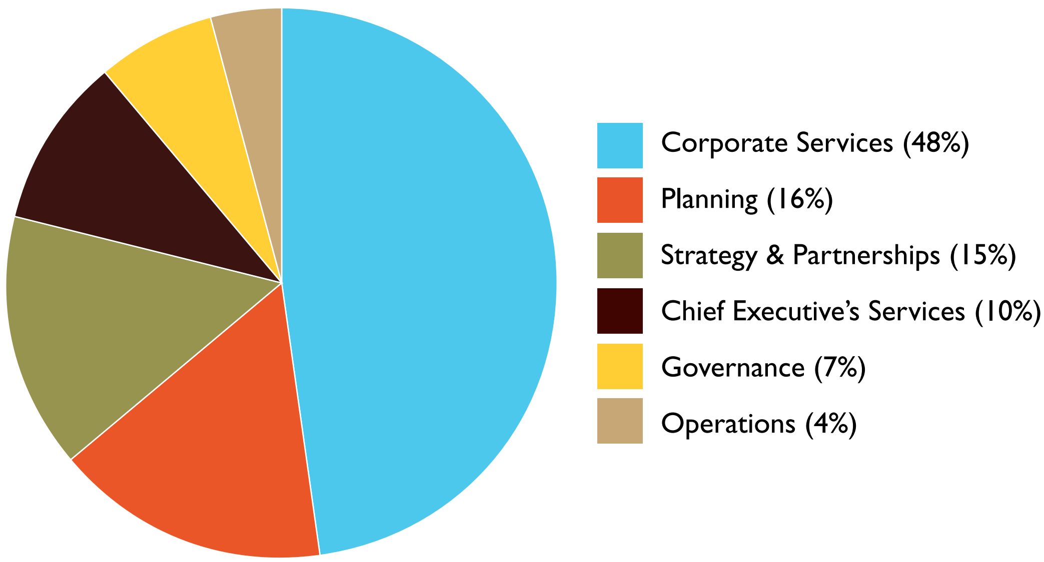


Further explanation of some of the terminology included in the above table and chart is detailed below:

- Employees includes total salaries, employer's national insurance contributions, employer's pension contributions, indirect employee expenses including the adjustments required to adjust employee costs to an IAS 19 basis and Members' Allowances;
- Premises Related includes all running costs, expenditure on goods, services and contractors directly related to property;
- Transport Related includes all costs connected with the provision, hire or use of transport;
- Supplies and Services includes all direct supplies and services expenditure; and
- Third Party Payments include payments to third party providers of local authority services (e.g. payments to other local authorities and other bodies).

The following chart shows the net revenue expenditure (excluding the revenue grant of £7.290m) by services in percentage terms:

Net Expenditure by Service



Financial Performance and Segmental Reporting

The Code introduces segmental reporting with the aim to disclose information to enable users of the Authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates. Information on reportable operating segments is presented in note 21 and includes the following:

- An analysis of the income and expenditure for each segment which includes those items of income and expenditure that are reported as part of internal management reporting;
- A reconciliation between the segment reporting analysis and the cost of services in the Comprehensive Income and Expenditure Statement;
- A reconciliation between the segment reporting analysis and an analysis of total income and expenditure (i.e. a subjective analysis); and
- Information on services included within each operating segment.

Reportable operating segments are based on the Authority's internal management reporting. The Authority is not required to report all operating segments; an operating segment is only reported where its expenditure is 10% or more of the gross expenditure within the cost of services or its income is 10% or more of the gross income within the cost of services. Where the reportable operating segments identified by applying this criteria do not include at least 75% of the expenditure within the cost of services, additional operating segments are treated as reported operating segments until the reportable operating segments include at least 75% of the expenditure within the cost of services. The Authority has opted to report all of its operating segments.

The operating segments included in note 21 are based on the internal management reporting structure in 2010/11. From 2011/12 onwards, the Authority is revising the presentation of services for internal reporting purposes. The following table summarises the 2010/11 spending on services by this revised reporting structure, including variations compared with the revised budget:

	Revised Budget £'000	Actual £'000	Variance £'000
Chief Executive's Services	415	328	(87)
Strategy & Partnerships	965	497	(468)
Planning	737	517	(220)
Operations	463	131	(332)
Governance	315	226	(89)
Corporate Services	2,386	1,579	(807)
Surplus	**5,281**	**3,278**	**(2,003)**

Note: Figures in brackets denote underspendings or income received in excess of that budgeted.

The financial performance in 2010/11 indicates the Authority has delivered services within its overall budget by taking appropriate measures to manage in-year risks and pressures. Details of the overall variance of £2.003m are as follows:

- Chief Executive's Services – the net underspend of £0.087m relates to an unspent contingency budget for unforeseen expenditure during the transitional year;
- Strategy & Partnerships – a slippage in the recruitment programme and the consequential reduction in supplies and services spending achieved a net saving of £0.468m;
- Planning – the service achieved a net underspend of £0.220m mainly due to slippage in the recruitment programme;
- Operations - a change in the assumptions mainly in relation to the funding of those staff transferring from the South Downs Joint Committee during the transition period resulted in a saving of £0.332m;
- Governance – the service achieved a net underspend of £0.089m from a mixture of savings in venue hire, Members' mileage and subsistence and staffing costs; and
- Corporate Services – the service achieved a net underspend of £0.807m; this was mainly due to slippage in the recruitment programme and related savings in supplies and services.

During the Authority's transitional year it needed to make decisions about what functions it would take on in order to fulfil its general statutory duties and responsibilities in connection with the two national park purposes. Those decisions and the resulting organisational structures needed to be determined in the context of strategic priorities, consultation with stakeholders and funding from National Government which was subject to significant uncertainty.

As a result the Authority decided not to recruit to permanent structures until it was able to make properly informed and cost effective decisions about what those should be and then to commence recruitment on a phased basis in order to facilitate a stable transition. This led to an underspend on employee budgets of £1.27m. Instead the Authority made use of a range of interim and agency appointments, primarily through contracts let by Natural England. This enabled it to recruit staff to establish the Authority more quickly without making a long term commitment to people who might not be required in the permanent structure. Some posts continue to be filled by interim staff. The costs of interim staff are included in expenditure on supplies and services and third party payments (where seconded from other public bodies) rather than employees and were £1.67m.

Reserves

Putting in place appropriate levels of reserves is essential to provide the Authority with a safety net for risks, unforeseen or other circumstances. The Authority's General Fund balance must last the lifetime of the Authority unless contributions are made from future years' revenue budgets.

The level of General Fund balance held is a professional judgement by the Authority based on local circumstances including the overall budget size, risks, robustness of estimates, major initiatives being undertaken, budget assumptions, the levels of other earmarked reserves and provisions. The underspend of £2.003m in 2010/11 is included in the Authority's General Fund balance which stands at £0.728m. The following table shows the General Fund position:

	Total £'000
Balance at 1 April 2010	**0**
Contribution to balances	(2,003)
Contributions to earmarked reserves	1,089
Transfers to unusable reserves	186
Balance at 31 March 2011	**(728)**

The Authority also holds earmarked reserves of £3.098m as at 31 March 2011. Note 5 provides information of the specific earmarked reserves held by the Authority.

Capital Summary

In 2010/11, the Authority purchased a fleet of vehicles and commenced the purchase and refurbishment of Capron House, which will become the Authority's main office in 2012/13. The total capital expenditure on these assets was £0.265m compared with the approved budget of £1.366m. The variance of £1.101m relates to slippage (delays) which will be carried forward into 2011/12 to meet the Authority's ongoing capital commitments. No current or future resources were lost as a result of capital investment programme slippage.

Notes 9 and 10 to the financial statements provide further information on non current assets held by the Authority. The following table details the funding of the Authority's 2010/11 capital programme:

	Total £'000
Capital Outturn	265
Total Funding Requirement	**265**
Funding:	
Capital Grants	(75)
Direct Revenue Funding	(190)
Total Funding	**(265)**

Pensions Asset

The Authority's net asset for future pension payments, as estimated by the pensions actuary, Hyman Robertson, was £2,000.

The overall surplus of £16,000 on the fund represents the difference between the value of the Authority's pension fund assets as at 31 March 2011 and the estimated present value of the future pension payments to which it was committed at that date. The value of the Authority's pension fund assets was £65,000 as at 31 March 2011. The value of the future pension payments liabilities was £49,000 as at 31 March 2011. The liabilities show the Authority's long term underlying commitments to pay post employment benefits. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them.

Amounts included in the Authority's accounts in relation to post employment benefits have no effect on the General Fund balance. Note 19 to the financial statements provides further information on pension costs.

Investments

The Authority's treasury management function is provided, through a management agreement, by Brighton & Hove City Council.

At 31 March 2011, the Authority had a cash balance of £5.677m of which £2.506m was invested externally and £3.171m held under the management agreement with the Council.

The Authority's annual investment strategy (AIS) for 2010/11 was approved by the Authority in April 2010.

The AIS gives priority to security and liquidity. Security is achieved by selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base, and having limits on the amount invested with any one institution.

For the purpose of determining credit ratings the Authority uses independent credit rating agencies. Rating criteria is only one factor taken into account in determining investment counterparties. Other factors, such as articles in the financial press, are monitored and action taken where it is felt the risk attached to a particular counterparty has or is likely to worsen. Action will include the suspension of a counterparty in appropriate circumstances. Liquidity is achieved by limiting the maximum period for investment.

Further Information

These accounts have been prepared by Brighton and Hove City Council on behalf of the Authority.

Further information about the accounts is available from Brighton and Hove City Council, Financial Services, King's House, Hove. In addition, interested members of the public have a statutory right to inspect the accounts and their availability is advertised in the local press and on the Authority's website.

Catherine Vaughan CPFA

Chief Finance Officer

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

(i) 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;

(ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

(iii) Approve the Statement of Accounts.

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 CIPFA[1] Code of Practice on Local Authority Accounting in the United Kingdom. The Chief Finance Officer is required to sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts the Chief Finance Officer has:

(i) selected suitable accounting policies and then applied them consistently;

(ii) made judgements and estimates that were reasonable and prudent; and

(iii) complied with the Local Authority Code.

The Chief Finance Officer has also:

(i) kept proper accounting records which were up to date; and

(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts present a true and fair view of the financial position of the South Downs National Park Authority as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Catherine Vaughan CPFA

Chief Finance Officer (Section 151 Officer)

27 September 2011

[1] Chartered Institute of Public Finance and Accountancy

South Downs
National Park Authority

CORE FINANCIAL STATEMENTS

2010/2011

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus / 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 (GF) Balance. The "Net Increase / Decrease before Transfers to Earmarked Reserves" line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Note	Movement in Reserves during 2010/11	General Fund Balance £'000	Earmarked Reserves £'000	Captial Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
	Balance at 31 March 2010	**0**	**0**	**0**	**0**	**0**	**0**
	Surplus on the Provision of Services	(5,262)	0	0	(5,262)	0	(5,262)
	Other Comprehensive Income and Expenditure	0	0	0	0	(1)	(1)
	Total Comprehensive Income and Expenditure	**(5,262)**	**0**	**0**	**(5,262)**	**(1)**	**(5,263)**
4	Adjustments between Accounting Basis and Funding Basis under Regulations	1,436	0	(1,175)	261	(261)	0
	Net Increase before Transfers to Earmarked Reserves	**(3,826)**	**0**	**(1,175)**	**(5,001)**	**(262)**	**(5,263)**
5	Transfers (to)/from Earmarked Reserves	3,098	(3,098)	0	0	0	0
	Increase in Year	**(728)**	**(3,098)**	**(1,175)**	**(5,001)**	**(262)**	**(5,263)**
	Balance at 31 March 2011	**(728)**	**(3,098)**	**(1,175)**	**(5,001)**	**(262)**	**(5,263)**

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the Government grant.

Note		Year Ended 31 March 2011		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	Continuing Services			
	Conservation of Cultural Heritage	34	0	34
	Conservation of the Natural Environment	68	(29)	39
	Recreation Management and Transport	10	0	10
	Promoting Understanding	398	0	398
	Ranger, Estates and Volunteers	607	0	607
	Development Control	385	0	385
	Forward Planning and Communities	1,092	(32)	1,060
	Corporate and Democratic Core	781	(1)	780
	Cost of Services	**3,375**	**(62)**	**3,313**
6	Financing and Investment Income and Expenditure	(1)	(34)	(35)
7,8	Non-Specific Grant Income	0	(8,540)	(8,540)
	Surplus on the Provision of Services	**3,374**	**(8,636)**	**(5,262)**
19	Actuarial Gain on Pension Assets and Liabilities			(1)
	Other Comprehensive Income and Expenditure			(1)
	Total Comprehensive Income and Expenditure			**(5,263)**

The Cost of Services in the Comprehensive Income and Expenditure Statement is analysed in accordance with the Best Value Accounting Code of Practice (BVACOP) for consistency and comparability of Local Authorities.

Corporate and Democratic Core includes two categories of expenditure; Democratic Representation and Management (DRM) and Corporate Management costs. DRM includes all aspects of Members' activities and Corporate Management includes activities that provide the infrastructure that allows services to be provided (e.g. the Chief Executive, external audit, corporate level financing and treasury management).

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves (i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the Authority is not able to use to provide services (i.e. unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement under Adjustments between Accounting Basis and Funding Basis under Regulations.

Note		As at 31 March 2011 £'000
9	Property, Plant & Equipment	265
19	Long Term Debtors	2
	Long Term Assets	**267**
25	Inventories	16
22,23	Short Tern Debtors	220
20,22	Cash and Cash Equivalents	5,677
	Current Assets	**5,913**
22,24	Short Term Creditors	(912)
12	Provisions	(5)
	Current Liabilities	**(917)**
	Net Assets	**5,263**
13	Usable Reserves	(5,001)
14	Unusable Reserves	(262)
	Total Reserves	**(5,263)**

The unaudited accounts were issued on 24 June 2011 and the audited accounts were authorised for issue on 27 September 2011.

Catherine Vaughan CPFA

Chief Finance Officer

27 September 2011

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

The Authority uses the indirect method to present its revenue activities cash flows, whereby the net Surplus / Deficit on the Provision of Services is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

Note		2010/2011 £'000
	Net surplus on the provision of services	5,262
	Adjustment to surplus on the provision of services for non cash movements	680
	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	(1,250)
20	**Net Cash Flows from Operating Activities**	**4,692**
20	Net cash flows from investing activities	985
20	Net cash flows from financing activities	0
	Net Increase in Cash and Cash Equivalents	**5,677**
20	**Cash and Cash Equivalents at the beginning of the Reporting Period**	**0**
20	**Cash and Cash Equivalents at the end of the Reporting Period**	**5,677**

Notes to the Core Financial Statements

1 ACCOUNTING POLICIES

A. General

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 Accounts and Audit Regulations 2011 require the Authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 20010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) except where these are inconsistent with specific statutory accounting requirements so as to present a true and fair view of the financial position and transactions of the Authority. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost.

The accounting policies are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting its Statement of Accounts. The Authority has selected accounting policies and accounts for changes in accounting policies in accordance with IAS 8 *Accounting Polices, Changes in Accounting Estimates and Errors* except where interpretations or adaptations to fit the public sector are detailed in the Code.

The Authority only changes its accounting policies when required by proper accounting practices or where the change results in the Statement of Accounts providing reliable and more relevant information about the effects of transactions, other events and conditions on the Authority's financial position, financial performance or cash flows. Where the Authority changes an accounting policy, it applies the changes retrospectively, unless the Code specifies transitional provisions that should be followed, by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the change.

The Authority regularly reviews its accounting policies to ensure that they remain the most appropriate, giving due weight to the impact that a change in accounting policy would have on comparability between periods. In accordance with the Code, the Authority has disclosed the expected impact of new accounting standards that have been issued but not yet adopted.

Changes in Accounting Estimates and Errors and Prior Period Adjustments

The Authority accounts for changes in accounting estimates and errors in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* except where interpretations or adaptations to fit the public sector are detailed in the Code.

The Authority uses accounting estimates where items within the Statement of Accounts cannot be measured with precision but can only be estimated. In such cases, estimation techniques are adopted by the Authority to calculate the estimated monetary amount corresponding to the correct measurement bases selected using the latest available, reliable information.

The Authority revises accounting estimates if changes occur in the circumstances on which the estimates were based or as a result of new information or more experience. The effect of any change in accounting estimates is recognised prospectively by including it in the surplus / deficit in the period of the change, if the change affects the period only, or the period of the change and future periods, if the change affects both. If the change in accounting estimates gives rise to changes in assets and liabilities, or relates to an item of net worth, it is recognised by adjusting the carrying amount of the related asset, liability or net worth item in the period of change. Changes in accounting estimates do not give rise to a prior period adjustment.

The Authority recognises prior period adjustments in respect of changes in accounting policies or to correct a material error.

The Authority restates its Statement of Accounts where there are material errors. Where it is practicable to determine either the period specific effects or the cumulative effect of an error, the Authority corrects material prior period errors retrospectively in the first set of Statement of Accounts authorised for issue after their discovery by restating the comparative amounts for prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net worth for the earliest prior period presented.

When it is impracticable to determine the period specific effects of an error on comparative information for one or more prior periods presented, the Authority restates the opening balances of assets, liabilities and net worth for the earliest period for which retrospective restatement is practicable (which may be the current period).

Prior period items that arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process constitute normal transactions for the year in which they are identified, and are accounted for accordingly by the Authority.

Accounting Concepts

The Code specifies many of the accounting policies and estimation techniques to be adopted for material items within the Statement of Accounts. In preparing information for the Statement of Accounts, the Authority has regard to the underlying assumptions, and qualitative characteristics of financial statements as set out in the Code. The policies and estimation techniques have been selected to accord with the five qualitative characteristics of financial information in relation to understandability, relevance, materiality, reliability and comparability and the two underlying assumptions, accrual basis and going concern.

The Statement of Accounts provide information about the Authority's financial position, financial performance and cash flows. The Authority's financial position can be measured by the level of assets, liabilities and reserves, with its financial performance being measured by income and expenses and its cash flow by elements within both the Comprehensive Income and Expenditure Statement and Balance Sheet. Throughout the accounting policies, reference is made to the bases on which assets, liabilities, reserves, income and expenses have been recognised and measured.

Fair Value

International Financial Reporting Standards do not have a consistent definition of fair value; different definitions apply in different circumstances. The table below shows the provisions the Authority applies regarding fair value.

Circumstance	Fair Value
Revenue Recognition	Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.
Property, Plant and Equipment	For land and buildings, fair value is the amount that would be paid for the asset in its existing use.
Leases	Fair value follows the appropriate class of property, plant and equipment.
Inventories	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.
Debtors	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.
Creditors	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Value

The fair value definition for revenue recognition is also the general definition that the Authority applies unless a more specific definition applies.

B. Grants and Contributions

The Authority accounts for and provides disclosures in relation to grants and contributions in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* except where interpretations and adaptations to fit the public sector are detailed in the Code.

Whether paid on account, by instalments or in arrears, grants and contributions are not recognised until there is reasonable assurance that the Authority will comply with the conditions attached to the payments and the grants or contributions will be received.

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Authority has not satisfied.

Grants and contributions are credited to service revenue accounts, support services, and corporate accounts in accordance with BVACOP.

A grant or contribution that becomes repayable is accounted for by the Authority as a revision to an accounting estimate (see General accounting policy). Repayment is first applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment is recognised within the Comprehensive Income and Expenditure Statement as an expense.

A grant or contribution may be received subject to a condition that it is returned to the transferor if a specified future event does or does not occur. In these cases, a return obligation does not arise until such time as it is expected that the condition will be breached and the Authority does not recognise a liability until that time.

General grants and contributions (e.g. National Park Grant) are disclosed as one item on the face of the Comprehensive Income and Expenditure Statement.

Grants and Contributions for Revenue Purposes

Revenue grants or contributions with conditions attached are initially credited to the Balance Sheet in the form of creditor personal accounts at the point of receipt. Once the condition has been met, the grant or contribution is transferred from the creditor personal account and recognised as income in the Comprehensive Income and Expenditure Statement.

Revenue grants or contributions with no conditions attached are recognised as income in the Comprehensive Income and Expenditure Statement at the point of receipt.

Grants and Contributions for Capital Purposes

Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recognised as part of the Capital Grants Receipts in Advance. Once the condition has been met, the grant or contribution is transferred from the Capital Grants Receipts in Advance and recognised as income in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account (within the Usable Reserves section of the Balance Sheet), reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution (or part thereof) is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

When a capital grant or contribution becomes repayable and where conditions in respect of the grant or contribution have not been met, the repayment is applied against the Capital Grants Receipts in Advance. Where the grant or contribution has previously been recognised as income in the Comprehensive Income and Expenditure Statement (or to the extent that the repayment exceeds the balance in respect of the specific grant or contribution in the Capital Grants Receipts in Advance), the repayment is recognised as an expense in the Comprehensive Income and Expenditure Statement. As the repayment of grants for capital purposes is classed as capital expenditure, the repayment is transferred from the General Fund to the Capital Adjustment Account. This transfer is reported in the Movement in Reserves Statement. Where repayment of a grant relates to an asset, consideration is given to the possible impairment of the asset. Depending on the conditions of the grant, the repayment may be years later and thus impairment may have occurred.

C. Revenue Recognition

The Authority accounts for revenue recognition in accordance with IAS 18 *Revenue* and IPSAS 23 *Revenue from Non-Exchange transactions (Taxes and Transfers)* except where interpretations or adaptations to fit the public sector are detailed in the Code.

This accounting policy does not apply to revenue arising from lease agreements (see separate accounting policy for Leases).

Revenue is measured at the fair value of the consideration received or receivable.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Sale of Goods

Revenue in relation to the sale of goods is recognised by the Authority when the following has been satisfied:

- the Authority transfers the significant risks and rewards of ownership of the goods to the purchaser;
- the Authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the Authority can measure the amount of revenue reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority; and
- the Authority can measure the costs incurred or to be incurred in respect of the transaction.

Provision of Services

When the outcome of a transaction involving the provision of services can be estimated reliably by the Authority, revenue associated with the transaction is recognised by reference to the percentage of completion method at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the Authority can measure the amount of revenue reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority;
- the percentage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Supplies

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest Receivable

In relation to interest receivable, revenue is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority; and
- the Authority can measure the amount of revenue reliably.

Subject to the recognition criteria above being met, interest is recognised as income on the basis of the effective interest rate.

Accruals of Income and Expenditure

In circumstances where the consideration has been received but the revenue does not meet the recognition criteria described above, the Authority recognises a creditor (i.e. receipt in advance) in respect of that inflow of resources. On satisfying the recognition criteria, revenue is recognised equal to the reduction of the carrying amount of the liability.

In circumstances where revenue meets the recognition criteria described above but the consideration has not been received, the Authority recognises a debtor in respect of that inflow of resources (see accounting policy on debtors).

D. Value Added Tax (VAT)

There are no IFRS or IPSAS specifically relating to VAT; the Authority accounts for VAT in accordance with SSAP 5 *Accounting for Value Added Tax* except where interpretations or adaptations to fit the public sector are detailed in the Code.

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). There is no VAT on income receivable as the Authority was not registered for VAT during this financial year.

Although not registered, the Authority was able to recover VAT from HMRC on expenses incurred for non business activities under the special refund scheme for eligible bodies.

The net amount due from HMRC in respect of VAT is included as part of creditors or debtors.

E. Cash and Cash Equivalents

The Authority defines cash as cash in hand and deposits with financial institutions repayable without penalty on demand.

The Authority defines cash equivalents as those cash flow investments which are no longer than three months and represent the investment of cash surpluses lent to cover cash shortages. They are readily convertible to known amounts of cash with insignificant risk of change in value.

F. Current Assets

The Authority classifies an asset as current when:

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle (i.e. 12 months);
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within 12 months after the reporting period; or
- the asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

The Authority classifies all other assets as long term.

G. Inventories

The Authority accounts for inventories in accordance with IAS 2 *Inventories*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Inventories are measured at the lower of cost and net realisable value. The Authority includes all costs of purchase, costs of conversions and other costs incurred in bringing the inventories to their present location or condition in the cost of its inventories.

The cost of inventories is attributed to identified items of inventory. Where this is not possible, the Authority assigns the cost of inventories using the first in, first out (FIFO) or weighted average cost formula. The Authority uses the same cost formula for all inventories having a similar nature and use.

The Authority does not carry inventory in excess of amounts that are expected to be realised from their sale or use. In circumstances where the cost of inventories are not recoverable (e.g. where inventories are damaged or become wholly or partially obsolete, or if their selling prices have declined), the cost is written down to the net realisable value or current replacement cost. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value or current replacement cost because of a change in economic circumstances, the amount of the write-down is reversed so the new carrying amount is the lower of cost and the revised net realisable value or is the lower of cost and the revised current replacement cost. The reversal is limited to the amount of the original write-down.

When inventories are sold, exchanged or distributed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed or related service is rendered. The amount of any write-down of inventories (i.e. to net realisable value or current replacement cost) and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

H. Debtors

The Authority accounts for debtors in accordance with IAS 18 *Revenue*, IPSAS 23 *Revenue from Non Exchange Transactions (Taxes and Transfers)* and IAS 39 *Financial Instruments: Recognition and Measurement*, except where interpretations or adaptation to fit the public sector are detailed in the Code.

This accounting policy should be read in conjunction with the accounting policy for Revenue Recognition.

Debtors are recognised when ordered goods or services have been delivered or rendered by the Authority.

Debtors are recognised and measured at the fair value of the consideration receivable (typically in the form of cash and cash equivalents) when revenue has been recognised (see accounting policy on Revenue Recognition).

If payment to the Authority is on deferred terms (i.e. beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

In the event that consideration has been paid in advance of the receipt of goods or services, the Authority recognises a debtor (i.e. payment in advance) in respect of that outflow of resources.

I. Current Liabilities

The Authority classifies a liability as current when:

- it expects to settle the liability within its normal operating cycle (i.e. 12 months);
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within 12 months after the reporting period; or
- the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Authority classifies all other liabilities as long term.

J. Employee Benefits - Benefits Payable During Employment

The Authority accounts for benefits payable during employment in accordance with IAS 19 *Employee Benefits*, except where interpretations or adaptation to fit the public sector are detailed in the Code.

Short Term Employee Benefits

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 and non monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render service to the Authority.

The Authority recognises short term accumulating compensated absences (i.e. annual leave and flexi leave) when employees render services that increases their entitlement to future compensated absences. These type of short term compensated absences are measured as the additional amount that the Authority expects to pay as a result of unused entitlement that has accumulated at the Balance Sheet date including associated employer's national insurance and pension contributions. The obligation is recognised even if the compensating absences have not yet vested at the reporting date. The possibility that employees may leave before they use an accumulating non-vesting entitlement and their entitlement lost is taken into account in measuring the obligation. The Authority makes an accrual for the cost of accumulating absences earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement, 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. The accrual is shown as a short term provision on the Authority's Balance Sheet.

The Authority recognises short term non accumulating absences (i.e. sick leave, maternity leave, paternity leave and jury service) when the absence occurs.

The cost of providing non monetary benefits (benefits in kind) is recognised according to the same principles as benefits payable in cash; the amount recognised is the cost to the Authority of providing the benefit.

K. Employee Benefits – Post Employment Benefits

The Authority accounts for post employment benefits in accordance with IAS 19 *Employee Benefits*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Employees of the Authority are entitled to become members of the Local Government Pension Scheme, administered by West Sussex County Council, according to the terms of their employment.

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme. The Authority accounts for the scheme by:

- Estimating the benefit that employees have earned (i.e. the liability of the pension fund attributable to the Authority) – actuarial techniques are used to estimate the variable that will determine the ultimate cost of providing post employment benefits and to determine how much benefit is attributable to the current and prior periods.

  The main actuarial assumptions for pension benefits comprise demographic assumptions such as mortality, employee turnover and expected early retirement where the employee has the right under the scheme rules. Financial assumptions such as the discount rate and salary and benefit levels are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled.

  Benefits are attributed to periods of service in accordance with a scheme's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, benefits are attributed on a straight-line basis until the date when further service by the employee will lead to no material amount of further benefits.
- Discounting the benefit to determine the present value of the defined benefit obligation – 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) is used to determine the present value of the Authority's defined benefit obligation and the related current service cost and past service cost.

  The rate used to discount post employment benefit obligations is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds; the currency and term of the corporate bonds being consistent with the currency and estimated term of the post employment benefit obligation. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.
- Determining the fair value of any scheme assets (and reimbursement rights, if any) - the assets of the 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; and
  - property – market value.

Where no market price is available, the fair value of scheme assets is estimated by the actuary.

- Determining the amount of actuarial gains and losses – the effects of changes in actuarial assumptions and experience adjustments (i.e. the effects of differences between the previous actuarial assumptions and what has actually occurred) are charged to the Comprehensive Income and Expenditure Statement; the movement in actuarial gains and losses is recognised in the Pension Reserve.
- Where a plan has been changed, determining the resulting past service cost – past service cost usually arises when the benefits payable under an existing defined benefit scheme are changed. Past service costs are measured as the change in the liability resulting from the amendment. Where the amendment vests immediately, the past service costs are recognised immediately regardless of the fact that the cost refers to employee service in previous periods. Sometimes there is a vesting period, in which case the past service cost is amortised on a straight-line basis over the average period until the benefits become vested. The amortisation schedule for past service cost is fixed when the amendment is introduced and is not revised unless there is a curtailment or settlement.

Where benefits payable under an existing defined benefit scheme attributable to past service are changed, so that the present value of the defined benefit obligation decreases, the resulting reduction in the defined benefit liability shall be recognised as (negative) past service cost over the average period until the change in benefits becomes vested. Where, at the same time as the reduction in liability, other changes are made that result in an increase in the liability under the scheme for the same employees, the change is treated as a single net change.

- Where a scheme has been curtailed or settled, determining the resulting gain or loss – gains and losses on curtailment or settlement (i.e. events that change the liabilities and that are not covered by normal actuarial assumptions) comprise any resulting changes in the present value of the defined benefit obligation, any resulting change in the fair value of the plan assets and any unamortised related past service costs. Gains and losses on curtailments or settlements are recognised when the curtailment or settlement occurs. Before determining the effect of a curtailment or settlement, the obligation is remeasured (and the related plan assets, if any) using current actuarial assumptions.

The Authority recognises the net total of the following amounts in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement except to the extent that the Code requires or permits their inclusion in the cost of an asset:

- current service cost – the increase in liabilities as a result of years of service earned in the current year - charged against the relevant Cost of Services for which the employee worked;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to Financing and Investment Income and Expenditure;
- the expected return on any plan assets and on any reimbursement rights – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return - credited to Financing and Investment Income and Expenditure;
- past service cost – the increase in liabilities arising from current year decisions the effect of which relates to years of service earned in earlier years – charged to Non Distributed Costs within the Cost of Services; and
- gains / losses on curtailments or settlements – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to Non Distributed Costs within the Cost of Services.

The contributions paid to the pension fund (i.e. cash paid as employer's contributions to the pension fund in settlement of liabilities) are charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

The Authority recognises the net total of the following amounts as a defined benefit liability in its Balance Sheet:

- the present value of the defined benefit obligation at the Balance Sheet date;
- minus any past service cost not yet recognised (i.e. past service costs that have not vested at the Balance Sheet date);
- minus the fair value at the Balance Sheet date of scheme assets (if any) out of which the obligations are to be settled directly.

Actuarial gains and losses (i.e. 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) are credited / debited to the Pensions Reserve.

Where the defined benefit liability is negative (i.e. an asset), there is a limit on the amount that can be recognised on the Balance Sheet as an asset. Where there is a negative liability (i.e. an asset), the amount recognised in the Authority's Balance Sheet has been determined in accordance with IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* paragraphs 58 to 58B and IFRIC Interpretation 14.

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. The Authority is not required to charge to revenue (i.e. General Fund) expenditure in respect of liabilities for retirement benefits but instead is required to maintain a Pensions Reserve to which the pension liabilities are charged. The amount that is charged to the General Fund for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing the particular pension schemes or funds in which the Authority participates. Where this amount does not match the amount charged to Surplus / Deficit on the Provision of Services for the year, the difference is taken to the Pensions Reserve through the Movement in Reserves Statement; the notional debits and credits for retirement benefits are removed and replaced 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.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any employee are accrued in the year of the decision to make the award and accounted for using the same accounting policies as are applied to the Local Government Pension Scheme.

L. Creditors

The Authority accounts for creditors in accordance with IAS 18 *Revenue*, IPSAS 23 *Revenue from Non Exchange Transactions (Taxes and Transfers)* and IAS 39 *Financial Instruments: Recognition and Measurement,* except where interpretations or adaptations to fit the public sector are detailed in the Code.

This accounting policy should be read in conjunction with the accounting policy for Revenue Recognition.

Creditors are recognised when ordered goods or services have been delivered or rendered to the Authority.

Creditors are recognised and measured at the fair value of the consideration payable (typically in the form of cash and cash equivalents).

If payment by the Authority is on deferred terms (i.e. beyond normal credit terms), the consideration payable is recognised initially at the cash price equivalent (that is the discounted amount).
The difference between this amount and the total payments is recognised as interest expense in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

In the event that consideration is received but the revenue does not meet the revenue recognition criteria (see accounting policy on Revenue Recognition), the Authority recognises a creditor (i.e. receipt in advance) in respect of that inflow of resources.

M. Reserves

The Authority considers amounts set aside for purposes falling outside the definition of provisions as reserves. The Authority holds a number of reserves including earmarked reserves which are used to set aside amounts for specific policy purposes, balances which represent resources set aside for purposes such as general contingencies and cash flow management, reserves for specific statutory purposes and reserves to comply with proper accounting practice.

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 in the Surplus or Deficit on the Provision of Services within 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, retirement and employee benefits and do not represent usable resources for the Authority; these reserves are covered in the relevant accounting policies.

The Authority carries out an annual review of the reserves to ensure they are still required and are set at the appropriate level.

Any carry forward of approved underspends are held on the Balance Sheet as a reserve.

N. Contingent Liabilities and Contingent Assets

The Authority accounts for contingent liabilities and assets in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* except where interpretations or adaptations to fit the public sector are detailed in the Code.

Contingent Liabilities

The Authority recognises a contingent liability when it has either:

(i) A possible obligation which has arisen from past events whose existence has been confirmed by the occurrence of one or more certain future events not wholly within the Authority's control; or

(ii) A present obligation has arisen from past events but it has not been recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements but are disclosed as a note to the accounts, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The Authority continually assesses contingent liabilities to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, the Authority recognises a provision in the financial statements of the period in which the change in probability occurs (see accounting policy for Provisions). In cases where a liability exists but a reliable estimate cannot be made, a contingent liability is still disclosed.

Unless the possibility of any outflow in settlement is remote, the Authority discloses, for each class of contingent liability, a brief description of the nature of the contingent liability and where practicable, an estimate of its financial effect measured using the principles set out in the Code, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement. Where it is not practicable to disclose information, the Authority discloses that fact.

Where disclosure of some or all of the information is expected to prejudice seriously the position of the Authority in a dispute with other parties on the subject matter of the contingent liability, the Authority does not disclose the information, but instead discloses the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Contingent Assets

The Authority recognises a contingent asset when it has a possible asset that has arisen from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Contingent assets are not recognised in the financial statements but are disclosed as a note to the accounts, where an inflow of economic benefits or service potential is probable. Contingent assets are not recognised if it is not probable that there will be an inflow of economic benefit or service potential or it cannot be reliably measured.

The Authority continually assesses contingent assets to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, a debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements of the period in which the change occurs.

Where an inflow of economic benefits or service potential is probable the Authority discloses, for each class of contingent asset, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement. Where it is not practicable to disclose information, the Authority discloses that fact.

Where disclosure of some or all of the information is expected to prejudice seriously the position of the Authority in a dispute with other parties on the subject matter of the contingent asset, the Authority does not disclose the information, but instead discloses the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

O. Overheads and Support Services

The Authority fully recharges the costs of management and administration and support services to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (BVACOP). The Authority uses the total absorption costing principle. 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 multifunctional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

All support service costs are charged to their users using the most appropriate apportionment base.

The cost of service management is apportioned to the accounts representing the activities managed.

If any overheads are not charged or apportioned, the reason for not doing so, together with the nature of the overhead and the amount, is disclosed in a note to the accounts.

P. Property, Plant and Equipment

The Authority accounts for non current assets in accordance with IAS 16 *Property, Plant and Equipment,* except where interpretations or adaptations to fit the public sector are detailed in the Code.

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

The Authority recognises (and capitalises) expenditure on the acquisition, creation or enhancement of property, plant and equipment as an asset on its Balance Sheet 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. Such items include the initial costs of acquisition and construction and costs incurred subsequently to enhance, replace part of or service the asset. Expenditure that does not meet these recognition criteria is charged to the relevant Cost of Service within the Comprehensive Income and Expenditure Statement as it is incurred.

The Authority does not capitalise subsequent costs arising from the day to day servicing of an asset (i.e. labour costs and consumables), commonly known as "repairs and maintenance" if they do not meet the above recognition principle.

The Authority has a de-minimis level of £5,000 for land and buildings and vehicles, plant and equipment; items of expenditure below this de-minimis level are charged to the relevant Cost of Services within the Comprehensive Income and Expenditure Statement in the year it is incurred. The Authority has no de-minimis level for enhancement expenditure and therefore all enhancement expenditure is capitalised.

Initial Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost and is capitalised on an accruals basis. The measurement of costs comprises 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 the Authority, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of an item of property, plant and equipment is the cash price equivalent at the date when the asset is recognised.

As this is the transitional year, no accounting policy has been disclosed for:

- the measurement of property, plant and equipment after recognition
- the impairment of property, plant and equipment
- the de-recognition of property, plant and equipment

Depreciation

Depreciation is applied to all property, plant and equipment, regardless of whether held at historical cost or revalued amount, except for land where it can be demonstrated that the asset has an unlimited useful life.

The Authority does not charge depreciation in the year of acquisition but does charge a full year's depreciation in the year of disposal.

The Authority does not depreciate assets until they are available for use (i.e. when they are in location and condition necessary for them to be capable of operating in the manner intended by the Authority).

Q. Leases

The Authority accounts for leases in accordance with IAS 17 *Leases*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Lease Classification

The Authority classifies leases as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The Authority uses the examples of situations in the Code to aid the classification; the example situations that individually or in combination would normally lead to a lease being classified as a finance lease in the Code are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;
- the lease term is for the major part of the economic life of the asset;
- the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

As the example situations are not always conclusive, the Authority applies the policy that if it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership, the lease is classified as an operating lease.

Lease classification is made at the inception of the lease.

Leases of land and buildings are classified as finance or operating leases in the same way as leases of other assets. However, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term as an important consideration is that land normally has an indefinite life. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

When accounting for a lease of land and buildings, the minimum lease payments are allocated between the land and the buildings elements in proportion to their relative fair values. Where the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for lease classification.

The Authority only has one lease as a lessee which has been classified as an operating lease; therefore the accounting policy for lessee finance leases is not disclosed. In addition the Authority does not have any leases as a lessor therefore no accounting policy is disclosed for leases where the Authority is the lessor. The Authority does not have any arrangements containing a lease and therefore no policy is disclosed in relation to this.

Lessee Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

R. Events after the Balance Sheet Date

The Authority accounts for events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

The Authority adjusts the amounts recognised in its financial statements to reflect adjusting events (i.e. those events that provide evidence of conditions that existed at the end of the reporting period) after the reporting period; however, it does not adjust the amounts for non-adjusting events (i.e. those events that are indicative of conditions that arose after the reporting period). The Authority reflects in its financial statements events after the reporting period up to the date the accounts were authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

The financial statements of the Authority are authorised for issue in accordance with the Accounts and Audit Regulations 2003. The date the accounts are authorised for issue is:

Un-audited Accounts	The date on which the responsible finance officer certifies that the accounts give a true and fair view of the Authority's financial position and financial performance in advance of approval.
Audited Accounts *(where opinion issued in advance of conclusion of audit)*	The date on which the responsible finance officer re-certifies that the accounts give a true and fair view of the Authority's financial position and financial performance.
Audited accounts *(where no opinion issued prior to the conclusion of audit)*	The date on which the responsible finance officer re-certifies that the accounts give a true and fair view of the Authority's financial position and financial performance.
Audited accounts *(where opinion previously issued prior to the conclusion of audit)*	The date on which the responsible finance officer re-certifies that the accounts give a true and fair view of the Authority's financial position and financial performance.

In accordance with the regulations, the Authority prepares a Statement of Accounts by 30 June following the end of the reporting period which is approved by the Chief Finance Officer. Following the audit, the Statement of Accounts are approved by members and signed by the chair of the Audit Committee by 30 September. The Authority also publishes its audited Statement of Accounts by 30 September following the end of the reporting period. In the event that the audit has not been completed by this date, the Authority publishes its un-audited Statement of Accounts by 30 September following the reporting period and its audited Statement of Accounts as soon as practicable thereafter.

2 CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE

In preparing the Statement of Accounts, the Authority has had to make judgements and assumptions that affect the application of its policies and reported levels of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on current trends and other relevant factors that are considered to be reasonable. These assumptions have been used to inform the basis for judgements about the carrying values of assets and liabilities, where these are not readily available from other sources. However, because balances cannot be determined with certainty, actual results could be materially different from those assumptions and estimates made.

The critical accounting judgements and assumptions made which have an effect on the financial statements are:

- Retirement Benefit Obligations – The Authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 *Employee Benefits*. The estimation of the net pension asset / liability depends on a number of complex judgements and estimates 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 actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Authority's retirement benefit obligation. The key assumptions made are set out in note 19.
- Provisions – The Authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability.
- Property, Plant and Equipment – Assets are depreciated over useful lives that are dependent on assumptions such as the level of repairs and maintenance that will be incurred in relation to individual type of asset, the expected length of service potential of the asset and the likelihood of the Authority's usage of the asset. Depreciation is not charged in the year of acquisition therefore there is no depreciation in respect of non current assets held by the Authority in 2010/11.
- Future Levels of Government Funding and Levels of Reserves – the future levels of funding have a high degree of uncertainty. The Authority has set aside amounts in the working balance and reserves which it believes are appropriate based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken and budget assumptions.
- Classification of Leases – The Authority has entered into a lease arrangement, as lessee, in respect of leasing office space. The Authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels. Details of the Authority's leases are set out in note 11.

3 EVENTS AFTER THE BALANCE SHEET DATE

These accounts were authorised for issue by the Chief Finance Officer on 27 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no significant events to adjust the financial statements and notes for or to disclose.

4 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The following table shows an analysis of the amounts included in Adjustment between Accounting Basis and Funding Basis under regulations within the Movement in Reserves Statement. It sets out the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure:

	Usable Reserves		
2010 / 2011	**General Fund Balance £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
ADJUSTMENTS PRIMARILY INVOLVING THE CAPTIAL ADJUSTMENT ACCOUNT			
Capital expenditure charges against the General Fund	190	0	(190)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPTIAL GRANTS UNAPPLIED ACCOUNT			
Capital grants unapplied credited to the Comprehensive Income and Expenditure Statement	1,175	(1,175)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	75	0	(75)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(34)	0	34
Employer's pension contributions and direct payments to pensioners payable in the year.	35	0	(35)
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT			
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)	0	5
Total Adjustments	**1,436**	**(1,175)**	**(261)**

5 TRANSFERS TO / FROM EARMARKED RESERVES

The following table shows an analysis of the amounts included in transfers to or from earmarked reserves within the Movement in Reserves Statement. It sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans. There were no amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11:

	Balance at 31 March 2010 £'000	Transfers From 2010/11 £'000	Transfers To 2010/11 £'000	Balance at 31 March 2011 £'000
EARMARKED GENERAL FUND RESERVES				
Planning Delivery Reserve	0	0	(400)	(400)
Community Grants Reserve	0	0	(200)	(200)
Residual Set up Reserve	0	0	(370)	(370)
Heathland Project Reserve	0	0	(29)	(29)
Carry Forwards	0	0	(511)	(511)
Planning Risk Management Reserve	0	0	(600)	(600)
Collabor8 Project Reserve	0	0	(30)	(30)
Insurance Reserve	0	0	(50)	(50)
Capital Reserves	0	0	(908)	(908)
Total	**0**	**0**	**(3,098)**	**(3,098)**

Other Usable Reserves

The Planning Delivery reserve is a short to medium term reserve set up to reflect the current risks around establishing a new system of delegation decisions and operations where significant assumptions are being made about projected costs.

The Community Grants reserve is a short term reserve set up to complement the Sustainable Development Fund in the first operational year and will be used to provide small community grants which support community action to deliver local and National Park priorities.

The Residual Set up reserve is a short term reserve which will be used to fund any additional set up costs not included in the budget such as the purchase of South Downs Joint Committee assets, future pay harmonisation and any additional training costs.

The Heathland Project reserve holds funding set aside to meet the costs of projects undertaken by the South Downs Joint Committee (SDJC) prior to the inception of the National Park Authority. It is funded by a contribution from the SDJC.

Carry forwards are approved carry forward of budgets to meet future specific costs. This reserve will be used to fund expenditure in relation to the planning system, staff uniforms, staff training, recruitment and advertising, refurbishment works to area offices and a local study which will now occur during 2011/12.

The Planning Risk Management reserve is a long term reserve which will be used to fund the cost of public inquiries, high cost decisions incurring specialist legal advice and any planning appeals.

The Collabor8 project reserve holds the approved carry forward of European funding to support the economic sustainability and cultural identity of the area.

The Insurance reserve will be used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally.

6 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The following table shows an analysis of the amounts included in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement:

	2010/11 £'000
Pensions interest cost and expected return on pensions assets	(1)
Interest receivable and similar income	(34)
Total Financing and Investment Income and Expenditure	**(35)**

7 NON SPECIFIC GRANT INCOME

The following table shows an analysis of the amounts included in Non Specific Grant Income within the Comprehensive Income and Expenditure Statement:

	2010/11 £'000
National Park grant	(7,290)
Capital grant	(1,250)
Total Non Specific Grant Income	**(8,540)**

8 GRANT INCOME AND CONTRIBUTIONS

The Authority received a government revenue grant of £7.290m from the Department for Environment, Food and Rural Affairs (DEFRA). This grant is a non ring-fenced grant which can be used by the Authority to finance revenue expenditure on any service and has been credited to the Comprehensive Income and Expenditure Statement. The Authority received a grant of £1.250m from DEFRA for capital purposes; this was credited to the Comprehensive Income and Expenditure Statement. The Authority also received other non government revenue contributions. These are detailed in the following table:

	2010/11 £'000
Non Government Revenue Contributions credited to Cost of Services	
Contributions from Other Agencies/External Bodies	(32)
Contributions from Other Local Authorities	(29)
Total Non Government Contributions	**(61)**

9 PROPERTY, PLANT AND EQUIPMENT

In 2010/11, the Authority purchased a fleet of vehicles and commenced the purchase and refurbishment of Capron House which will become the Authority's main office in 2012/13. These capital additions have been categorised under property, plant and equipment as vehicles, plant, furniture and equipment and assets under construction respectively. The following table shows the cost and net book value at the beginning and end of the reporting period:

2010/11	Vehicles, Plant, Furniture & Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation			
At 1 April 2010	**0**	**0**	**0**
Additions	190	75	265
At 31 March 2011	**190**	**75**	**265**
Net Book Value at 31 March 2011	**190**	**75**	**265**
Net Book Value at 1 April 2010	**0**	**0**	**0**

The amount of £0.075m in assets under construction relates to the deposit paid on the purchase of the Authority's permanent office, Capron House. This value will be reclassified as land and buildings when the asset becomes fully operational in 2012.

Property, plant and equipment held by the Authority is initially measured at historical cost. As the Authority does not charge depreciation in the year of acquisition, there is no depreciation charge in respect of 2010/11.

Contractual Commitments

The Authority has entered into a contract for £0.750m for the purchase of Capron House of which a deposit of £0.075m was paid in 2010/11. The remaining payment of £0.675m will be made in 2012/13.

The Authority has not entered into any contractual commitments in respect of redeveloping Capron House during 2010/11; however, there will be substantial redevelopment during 2011/12 and 2012/13.

10 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The Authority incurred £0.265m capital expenditure during 2010/11; this capital expenditure is shown in the table below together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

As the capital expenditure has all been funded in the year the closing capital financing requirement is zero.

	2010/11 £'000
Opening Capital Financing Requirement	**0**
Capital Investment	
- Property, plant and equipment	265
Sources of Finance	
- Government grants	(75)
- Revenue contributions	(190)
Closing Capital Financing Requirement	**0**
Increase/(Decrease) in Capital Financing Requirement	**0**

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown in the following table:

	2010/11 £'000
Property, plant and equipment	265
Capital Adjustment Account	(265)
Total	**(0)**

11 LEASES

The Authority classifies leases as either finance leases (i.e. a lease that transfers substantially all the risks and rewards incidental to ownership of an asset) or operating leases (i.e. a lease other than a finance lease). As lessee, the Authority does not have any finance leases; however, it has acquired office space under operating leases with lease periods of between one and two years.

Authority as Lessee – Operating Leases

The Authority, as lessee recognises lease payments under an operating lease as an expense.

The future minimum lease payments due under non cancellable operating leases in future years are:

	31 March 2011 £'000
Not later than one year	79
Later than one year and not later than five years	63
Later than five years	0
Total Future Minimum Lease Payments	142

In 2010/11, the Authority made lease payments of £41,000 in respect of those leases; these lease payments were charged to the relevant cost of services in the Comprehensive Income and Expenditure Statement.

12 PROVISIONS

The Authority sets aside amounts as provisions for liabilities of uncertain timing or amount.

During 2010/11, the Authority has set up a short term provision of £5,230 which relates to accumulated compensated absences (e.g. annual leave and flexi leave) that are carried forward at 31 March for use in future periods if the current period's entitlements are not used in full.

13 USABLE RESERVES

The Authority holds two usable reserves:

- General Fund balance which shows the resources available to meet future running costs for services; and
- Earmarked Reserves - the Authority holds a number of earmarked reserves which are used to earmark resources for specific purposes.

The Authority can use these reserves to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

Note 5 provides more details on the earmarked reserves held by the Authority.

14 UNUSABLE RESERVES

The Authority holds three unusable reserves being those reserves that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences between the accounting basis and funding basis.

The following table shows the movement on unusable reserves analysed between those amounts held for capital purposes and those held for revenue purposes:

	Balance as at 31 March 2011 £'000
Unusable Reserves Held for Revenue Purposes	
Pensions Reserve	(2)
Accumulated Absences Account	5
Total Unusable Reserves Held for Revenue Purposes	**3**
Unusable Reserves Held for Capital Purposes	
Capital Adjustment Account	(265)
Total Unusable Reserves Held for Capital Purposes	**(265)**
Total Unusable Reserves	**(262)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for costs of acquisition, construction and enhancement.

Note 4 provides details of the source of all the transactions posted to the Capital Adjustment Account. The account is matched by non current assets within the Balance Sheet and therefore is not a resource available to the Authority. The table below shows the balances on the Capital Adjustment Account at the beginning and end of the reporting period and the detailed movements in the year:

Capital Adjustment Account	2010/11 £'000
Balance as at 1 April	**0**
Capital financing applied in the year	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(75)
Capital expenditure charged against the General Fund	(190)
Balance as at 31 March	(265)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The table below shows the balances on the Pensions Reserve at the beginning and end of the reporting period and the detailed movements in the year:

Pensions Reserve	2010/11 £'000
Balance as at 1 April	**0**
Actuarial gains/losses on pension assets and liabilities	(1)
Reversal of items relating to retirement benefits debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	34
Employer's pensions contribution and direct payments to pensioners payable in the year	(35)
Balance as at 31 March	**(2)**

The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. Note 19 provides further information.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Accumulated Absences Account. The following table shows the balances on the Accumulated Absences Account at the beginning and end of the reporting period and the detailed movements in the year:

Accumulated Absences Account

	2010/11 £'000
Balance as at 1 April	**0**
Amounts accrued at the end of the current year	5
Balance as at 31 March	**5**

15 RELATED PARTIES

The Authority is required to disclose material transactions with related parties (i.e. 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 of the accounts to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The following paragraphs detail the Authority's related party material transactions.

Central Government

Central Government has effective control over the general operations of the Authority and provides the statutory framework within which the Authority operates. It provides much of the Authority's funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Details of the grants received from government departments in 2010/11 can be found in notes 7 and 8. Details of the amounts owed to Central Government are included in note 24.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in note 16. During 2010/11, works and services to the value of £633,716 were commissioned from companies and other Local Authorities in which Members have declared an interest. Contracts were entered into in full compliance with the Authority's standing orders. Details of these transactions are recorded in the Register of Members' Interests which is held by Hampshire County Council.

Officers

Senior officers of the Authority, such as the chief executive and other chief officers have the authority and responsibility for planning, directing and controlling the activities of the Authority, including the oversight of these activities. During 2010/11, Brighton and Hove City Council provided the Chief Finance Officer (S151) and other financial services to the Authority on a contractual basis to the value of £300,970. Senior officers of Brighton and Hove City Council were in a position to influence financial transactions of the Authority.

16 MEMBERS' ALLOWANCES AND EXPENSES

The Authority paid the following amounts to Members during the year:

	2010/11 £'000
Allowances	90
Expenses	17
Total Payments to Members	**107**

Details of allowances paid in 2010/11 are published in local newspapers across the National Park area (the Sussex Express, the West Sussex County Times and the Hampshire Chronicle). Details are also published on the Authority's website www.southdowns.gov.uk.

17 OFFICERS' REMUNERATION

The Code requires disclosure of remuneration paid to the Authority's senior employees broken down between salaries of £150,000 or more per year and salaries of between £50,000 and £149,999 per year. The definition of a senior employee is provided in the Accounts and Audit regulations and includes the chief executive, identified by job title and name, together with the members of the senior management team who report directly to the chief executive or hold a statutory post, identified by job title.

During 2010/11 the senior employee posts of the Authority were filled through interim and agency appointments. These arrangements are not covered by the Code's disclosure requirements, however, in the interests of transparency the total cost of all interim and agency appointments and the reasons for the approach taken have been set out on page 8 of the financial statements and in the following tables. The recruitment of the permanent senior management team commenced in October 2010; however the recruited officers were not in post until after the reporting period.

Senior Management Team			
	Nature of Employment	Period	Actual Cost in 2010/11 £'000
Chief Executive	Agency	April 2010-March 2011	190
Director of Corporate Services	Secondment Agency	April - July 2010 July 2010-March 2011	23 118
Director of Planning	Agency	April 2010-March 2011	152
Head of Operations Head of Operations	Secondment Secondment	April 2010-August 2010 Jan – March 2011	28 9
Head of Strategy	Secondment Staff member	April – August 2010 September 2010 – January 2011	15 35
Total cost of Senior Management Team			**570**

Other Staff		
Nature of Employment	Number of Staff	Actual Cost in 2010/11 £'000
Employed	24	258
Interim Staff	21	750
Secondment	38	352
Total cost of Other Staff		**1360**

Notes:

All costs are exclusive of VAT, but include expenses and agency fees.

Secondments are recharged from other public bodies at cost.

Interim staff includes all agency staff plus consultants.

Number of Staff does not equate to Full Time Equivalents.

18 EXTERNAL AUDIT COSTS

In 2010/11 the Authority incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections provided by the Authority's external auditors:

	2010/11 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	23
Total	**23**

19 DEFINED BENEFIT PENSION SCHEMES

The Authority makes contributions towards the cost of post employment benefits as part of the terms and conditions of employment of its officers. Although these benefits will not actually be payable until employees retire, the Authority has to disclose this commitment to the future payment of these benefits at the time that the employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) administered locally by West Sussex County Council. The scheme is a funded defined 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 investment assets.

The Authority uses Hymans Robertson LLP, an independent firm of actuaries, to assess the position of the Authority's pension fund.

Transactions relating to Post Employment Benefits

Post employment benefits are recognised in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund balance to the Pensions Reserve and reported in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year in relation to the Local Government Pension Scheme:

	2010/11 £'000
Comprehensive Income and Expenditure Statement	
Cost of Services	
• Current service cost	(35)
Financing and Investment Income and Expenditure	
• Interest cost	(1)
• Expected return on scheme assets	2
Total Post Employment Benefit charged to the Surplus / Deficit on the Provision of Services	(34)
Movement in Reserves Statement	
• Reversal of net charges made to the Surplus / Deficit for the Provision of Services for post employment benefits in accordance with the Code	34
Actual amount charged against the General Fund Balance for pensions in the year	
• Employers' contributions payable to the scheme	(35)
Net Adjustment to Pension Reserve	(1)

The cumulative amount of actuarial gain recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is £1,000.

Assets and Liabilities in relation to Post Employment Benefits

The following table shows the present value of the scheme liabilities (i.e. the defined benefit obligation), the fair value of the scheme assets and the surplus or deficit in the Local Government Pension Scheme:

	31 March 2011 £'000
Present Value of Liabilities	(49)
Fair Value of Assets	65
Surplus in the Scheme	**16**

The present value of liabilities shows the underlying commitments that the Authority has in the long run to pay post employment benefits. Based on the current benefit structure of the Local Government Pension Scheme (LGPS) and using the roll forward method, the actuarial estimate of the present value of funded liabilities as at 31 March 2011 is £49,000 which is in respect of employee members.

Assuming no material events such as curtailments, settlements, restrictions placed on admitting new entrants to the fund or discontinued participation in the fund, the total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 will be in the region of £54,000.

The following table shows a reconciliation of the present value of the Local Government Pension Scheme liabilities (i.e. the defined benefit obligation):

	2010/11 £'000
Balance at 1 April	**0**
Current service cost	(35)
Interest cost	(1)
Contributions by scheme participants	(13)
Balance at 31 March	**(49)**

The following table shows a reconciliation of the fair value of the Local Government Pension Scheme assets:

	2010/11 £'000
Balance at 1 April	**0**
Expected rate of return	2
Actuarial Gain	1
Transfer Value	14
Employer contribution as per actuary report	35
Contributions by scheme participants	13
Balance at 31 March	**65**

The expected return on scheme assets of £2,000 is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments were based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £3,000.

Basis for Estimating Assets and Liabilities

Liabilities for the Local Government Pension Scheme have been assessed on an actuarial basis using the projected unit credit method (i.e. an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc). The following tables show the principal assumptions used by the actuary as at the Balance Sheet date:

	1 April 2010	31 March 2011
Long term expected rate of return on assets in the scheme		
Equity Investments	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
Mortality assumptions		
Longevity at 65 for current pensioners:		
• men		22.7 years
• women		24.2 years
Longevity at 65 for future pensioners:		
• men		24.3 years
• women		26.4 years
Financial assumptions		
Rate of inflation/pension increase rate	3.8%	2.8%
Rate of increase in salaries	5.3%*	5.1%*
Rate for discounting scheme liabilities	5.5%	5.5%
Expected total return on assets	7.2%	6.9%
Take up of options to convert annual pension in retirement grant	0.0%	0.0%

* Pre April 2008 50.0% and post April 2008 75.0%

The following table shows for each major category of the Local Government Pension Scheme assets, the proportion that each category constitutes of the fair value of the total scheme assets held:

	31 March 2010	31 March 2011
Equity Investments	77.0%	77.0%
Bonds	14.0%	14.0%
Property	7.0%	7.0%
Cash	2.0%	2.0%
Total	**100%**	**100%**

History of Experience Gains and Losses

The following table shows the amounts of the experience adjustments arising on the Local Government Pension Scheme liabilities expressed as a percentage of the scheme assets at the balance sheet date:

	2010/11	
	£'000	%
Experience gains on assets	1	1.5

20 CASH AND CASH EQUIVALENTS

The Cash Flow Statement shows the total movement of the Authority's cash and cash equivalent funds during the reporting period. The result of the Cash Flow Statement is equal to the movement of the cash and cash equivalents on the Balance Sheet.

The Authority uses the indirect method to report its cash flows from operating activities whereby the net Surplus / Deficit on the Provision of Services is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

Cash and Cash Equivalents

The Authority defines cash equivalents as cash flow investments of cash surpluses lent to cover cash shortages and which are no longer than 3 months.

The following table shows an analysis of the components of cash and cash equivalents:

Cash and Cash Equivalents	
	31 March 2010 £'000
Bank current accounts	3,171
Short term deposits	2,506
Total Cash and Cash Equivalents	**5,677**

Reconciliation of the Net Cash Flows from Operating Activities to the Surplus or Deficit on the Provision of Services

The Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement includes some transactions which do not result in cash flows and others which are not classified as operating activities within the Cash Flow Statement (i.e. classified as investing or financing cash flows). The following table identifies these transactions and reconciles the Surplus / Deficit on the Provision of Services with the net cash flows from operating activities within the Cash Flow Statement.

Reconciliation of Net Cash Flows from Operating Activities to the Surplus/Deficit on the Provision of Services	
	2010/11 £'000
Surplus on the Provision of Services	**5,262**
Adjustments to the Surplus on the Provision of Services for Non Cash Movements	
Increase in creditors	917
Increase in debtors	(220)
Increase in inventories	(16)
Pension asset	(1)
	680
Adjustments for items included in the Surplus on the Provision of Services that are Investing or Financing Activities	
Capital Grants credited to surplus on the provision of services	(1250)
	(1250)
Net Cash Flows from Operating Activities	**4,692**

Net Cash Flows from Operating Activities relating to Interest

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

Net Cash Flows from Operating Activities relating to Interest	
	2010/11 £'000
Interest Received	
Ordinary interest received	34
Net Cash Flows from Operating Activities relating to Interest	**34**

Net Cash Flows from Investing Activities

Investing activities within the Cash Flow Statement include the following amounts:

Net Cash Flows from Investing Activities	
	2010/11 £'000
Purchase of Non Current Assets	
Property, plant and equipment purchased	(265)
	(265)
Other Receipts from Investing Activities	
Capital grants received	1,250
	1,250
Net Cash Flows from Investing Activities	**985**

Net Cash Flows from Financing Activities

There were no cash flows from financing activities.

21 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice (BVACOP). Decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (i.e. payment of employer's pension contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on support services is budgeted for centrally and not charged to services

The Authority identifies its principal services as those services whose gross income and/or gross expenditure is 10% or more of the total gross income and/or gross expenditure of the reportable cost of services. Services which do not meet this criteria are only reported to ensure that the reportable segments include at least 75% of the net expenditure within the reportable cost of services; the prioritisation given to reporting other services which do not meet the 10% or more criteria is by their % of the net expenditure within the reportable cost of services. Other services not meeting these two criteria are further considered for inclusion in the reportable segments to assess any added value in relation to the understanding for the readers of the accounts of the Authority's financial position. The Authority has opted to report all of its operating segments.

The Authority does not aggregate any operating segments for reporting purposes.

In 2010/11, the principal operating segments of the Authority are as those reported under BVACOP:

- Conservation of Cultural Heritage which includes expenditure and income relating to conservation activities regarding culturally significant buildings and sites, along with local culture and traditions generally;
- Conservation of the Natural Environment which includes expenditure and income relating to conservation activities on land, water and coastal areas;
- Recreation Management and Transport which includes expenditure and income relating to Public Rights of Way, National Trails and Access to Open Land;
- Promoting Understanding which includes expenditure and income relating to promoting public understanding of the special qualities of National Parks;
- Rangers, Estates and Volunteers which includes expenditure and income relating to the public face of service provision;
- Development Control which includes expenditure and income relating to the development control process and its enforcement;
- Forward Planning and Communities which includes expenditure and income relating to strategic planning and community development activities; and
- Corporate and Democratic Core which comprises all activities which National Park Authorities engage in specifically because they are elected multi-purpose authorities.

The income and expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

Services Income and Expenditure Analysis

2010/11	Conservation of Cultural Heritage £'000	Conservation of the Natural Environment £'000	Recreation Management and Transport £'000	Promoting Understanding £'000	Rangers Estates and Volunteers £'000	Development Control £'000	Forward Planning and Communities £'000	Corporate and Demographic Core £'000	Service Management and Support Services £'000	Total £'000
Employee expenses	0	0	10	0	0	0	21	122	396	**549**
Other service expenses	0	0	0	15	30	48	114	105	2,513	**2,825**
Total Expenditure	**0**	**0**	**10**	**15**	**30**	**48**	**135**	**227**	**2,909**	**3,374**
Fees, charges and other service income	0	(29)	0	0	0	0	(32)	(1)	(34)	**(96)**
Government grants	0	0	0	0	0	0	0	0	(7,290)	**(7,290)**
Total Income	**0**	**(29)**	**0**	**0**	**0**	**0**	**(32)**	**(1)**	**(7,324)**	**(7,386)**
Net Expenditure	**0**	**(29)**	**10**	**15**	**30**	**48**	**103**	**226**	**(4,415)**	**(4,012)**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus / Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

Reconciliation to Subjective Analysis

2010/11	Service Analysis £'000	Corporate Amounts Included in Service Analysis £'000	Amounts not Reported to Management for Decision Making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee expenses	549	1	0	0	**550**	(1)	**549**
Other service expenses	2,825	0	0	0	**2,825**	0	**2,825**
Support service and management and administration recharges	0	0	4,005	(4,005)	**0**	0	**0**
Total Expenditure	**3,374**	**1**	**4,005**	**(4,005)**	**3,375**	**(1)**	**3,374**
Fees, charges and other service income	(62)	0	(4,005)	4005	**(62)**	0	**(62)**
Interest and investment income	(34)	34	0	0	**0**	(34)	**(34)**
Government grants	(7,290)	7,290	0	0	**0**	(8,540)	**(8,540)**
Total Income	**(7,386)**	**7,324**	**(4,005)**	**4,005**	**(62)**	**(8,574)**	**(8,636)**
Surplus / Deficit on the Provision of Services	**(4,012)**	**7,325**	**0**	**0**	**3,313**	**(8,575)**	**(5,262)**

Reconciliation of Service Income and Expenditure to the Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

	2010/11 £'000
Net expenditure in the service analysis	(4,012)
Amounts included in the directorate analysis which fall outside the Cost of Services in the Comprehensive Income and Expenditure Statement	7,325
Cost of Services in the Comprehensive Income and Expenditure Statement	**3,313**

Further explanation of the terminology included in the above tables is detailed below:

- Employee expenses include total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including the adjustments required to adjust employee costs to an IAS 19 basis;
- Other service expenses include:
  - o Premises expenses including all running costs, expenditure on goods, services and contractors directly related to property;
  - o Transport expenses including all costs connected with the provision, hire or use of transport;
  - o Supplies and services covering all direct supplies and services expenditure incurred; and
  - o Third Party Payments including payments to third party providers of local authority services (e.g. payments to other Local Authorities and other bodies);
- Fees, charges and other service income includes contributions received from other local authorities and other bodies; and
- Government grants covers all grants received from Central Government.

22 FINANCIAL ASSETS AND LIABILITIES – FINANCIAL INSTRUMENTS

The Authority's treasury management function is provided through a management agreement by Brighton & Hove City Council.

Categories of Financial Instruments

The following categories of financial instrument are carried in the Authority's Balance Sheet:

	31 March 2011	
	Long Term £'000	Current £'000
Investments		
Loans and receivables	0	5,677
Available for sale financial assets	0	0
Total Investments	**0**	**5,677**
Debtors		
Loans and receivables	0	0
Financial assets carried at contract amount	0	220
Total Debtors	**0**	**220**
Borrowings		
Financial liabilities at amortised cost	0	0
Total Borrowings	**0**	**0**
Creditors		
Financial liabilities at amortised cost	0	0
Financial liabilities carried at contract amounts	0	(912)
Total Creditors	**0**	**(912)**

The above table includes an investment with Lloyds Bank (£2.504m), accrued interest (£0.002m) and cash at bank (£3.171m).

Income, Expense, Gains and Losses

The gains in respect of financial instruments that are recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	Financial Liabilities	Financial Assets		
2010/11	**Measured at Amortised Cost £'000**	**Loans and Receivables £'000**	**Available-for-Sale Assets £'000**	**Totals £'000**
Interest expense	0	0	0	0
Total expense in Surplus / Deficit on the Provision of Services	**0**	**0**	**0**	**0**
Interest income	0	(30)	0	(30)
Total expense in Surplus / Deficit on the Provision of Services	**0**	**(30)**	**0**	**(30)**
Gains on revaluation	0	(4)	0	(4)
Losses on revaluation	0	0	0	0
Surplus / Deficit Arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	**0**	**(4)**	**0**	**(4)**
Gain on derecognition	0	0	0	0
Net (Gain) / Loss for the year	**0**	**(34)**	**0**	**(34)**

The investment income has been generated through a combination of external investments and balances held by Brighton & Hove City Council.

The gain on revaluation £0.004m represents the price appreciation of investments not realised as at 31 March 2011.

Fair Value of Financial Assets and Liabilities carried at Amortised Cost

Financial assets represented by loans and receivables 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:

- where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial liabilities

	31 March 2011	
	Carrying Amount £'000	**Fair Value £'000**
Borrowing	0	0
Total Borrowing	**0**	**0**
Creditors	(912)	(912)
Total Financial Liabilities	**(912)**	**(912)**

The Authority has not raised any borrowing in the year, consequently there is no borrowing outstanding as at 31 March 2011.

Financial Assets

	31 March 2011	
	Carrying Amount £'000	**Fair Value £'000**
Loans and Receivables	2,506	2,506
Available-for-Sale	0	0
Cash at Bank	3,171	3,171
Debtors	220	220
Total Loans and Receivables	5,897	5,897

Please note the above table includes cash equivalents.

Short term debtors are carried at cost as this is a fair approximation of their value.

All financial assets are short term at 31 March 2011; therefore the fair value of investments is equal to the carrying amount.

Nature and extent of risks arising from financial instruments and how the Authority manages those risks

The Authority's activities expose it to a variety of financial risks. The key risks 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;
- refinancing risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

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

Overall these procedures require the Authority to manage risk in the following ways:

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

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. This strategy can be found on the Authority's website. The strategy was approved by the Authority on 20 April 2010. Actual performance is also reported annually to Members.

The key issues within the strategy were:

- the Authority would not raise borrowing during the year and therefore no borrowing limits or prudential indicators were set for 2010/11; and
- investment would only be made in institutions of the highest credit quality.

These policies are implemented through a management agreement with Brighton & Hove City Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements set out in the Authority's investment strategy. Additional selection criteria are also applied before an investment is made.

The minimum criteria set out in the investment strategy for investment counterparties were:

- major banks and building societies to have a short-term rating that indicates the highest credit quality;
- building societies to have an asset base in excess of £5 billion; and
- money market funds to have a rating equal to "AAA" (triple A).

Investment counterparties also included other Local Authorities and Government institutions. All investments were subject to a maximum period dependent upon their credit rating.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies (Fitch) and the Authority's experience of its customer collection levels. The table below is based on actual sums invested whereas the financial assets table above is based on carrying amounts (i.e. it includes accrued interest).

	Amount at 31 March 2011 £'000	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2011	Estimated Maximum Exposure to Default £'000
	(a)	(b)	(c)	(a*c)
Deposits with banks and financial institutions				
AAA rated counterparties	0	0.00%	0.00%	0
AA rated counterparties	2,500	0.03%	0.03%	1
A rated counterparties	0	0.08%	0.08%	0
Debtors	220	6.57%	6.57%	14
Total	**2,720**			**15**

The Authority does not expect any losses from non performance of any of its counterparties in relation to deposits and bonds.

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

During the reporting period the Authority did not hold collateral as security for any investment.

Liquidity Risk

The Authority is projected to have sufficient funds to cover any day to day cash flow need. There is therefore no significant risk that it will be unable to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures detailed above (the setting and approval of prudential indicators and the approval of the treasury and investment strategies), as well as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Authority maintains an investment portfolio, with a proportion of the funds available at call. The Authority is not exposed to refinancing and maturity risk.

The approved prudential indicator limits for investments made for a period greater than one year is a key parameter used to address this risk. The Authority's approved treasury and investment strategies address the main risks and Brighton & Hove City Council's treasury management 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 that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets is as follows:

	31 March 2010 £'000
Less that 1 year	2,500
More than 1 year	0
Total	**2,500**

The above profiles are based on the original principal lent and not the amortised or carrying amount. Trade debtors and all trade and other payables due to be paid in less than one year are not shown in the table above.

Market Risk

a) Interest rate risk

The Authority is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance a rise in interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Surplus / Deficit on the Provision of Services will rise; and
- investments at fixed rates - for long-term investments the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the Surplus / Deficit on the Provision of Services and affect the Authority's revenue balance.

The Authority has a number of strategies for managing interest rate risk. The annual Treasury Management Policy Statement draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this statement a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Brighton & Hove City Council will monitor market and forecast interest rates within the year to adjust exposures appropriately.

At 31 March 2011 the Authority had no investments subject to variable interest rates. A 1% rise in interest rates would therefore have no impact on the interest income credited to the Surplus / Deficit on the Provision of Services. There would be no impact of a 1% rise in interest rates on fair value as investments are all for less than one year.

A 1% fall in interest rates would similarly have no impact on the fair value of investments.

b) Price risk

The Authority does not invest in equity shares.

c) Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has limited exposure to loss arising from movements in exchange rates.

23 DEBTORS

The following table shows an analysis of the Authority's short term debtors:

Short Term Debtors	31 March 2011 £'000
Other Local Authorities	36
Other entities and individuals	184
Total Short Term Debtors	**220**

24 CREDITORS

The following table shows an analysis of the Authority's short term creditors:

Short Term Creditors	31 March 2011 £'000
Central Government Bodies	(43)
Other Local Authorities	(354)
Public Corporations and Trading Funds	(23)
Other Entities and Individuals	(492)
Total Short Term Creditors	**(912)**

25 INVENTORIES

The following table shows the total carrying amount of inventories at the beginning and end of the reporting period:

Analysis of Movement in Inventories	Balance as at 1 April 2010 £'000	Purchases £'000	Recognised as an Expense in Year £'000	Balance as at 31 March 2011 £'000
Inventories Held for Sale or Distribution in the Ordinary Course of Operations	0	28	(12)	16
Totals	**0**	**28**	**(12)**	**16**

26 PUBLICITY

Under Section 5 of the Local Government Act 1986 a National Park Authority is required to keep a separate account of its expenditure on publicity. Publicity is defined in the Act as "any communication, in whatever form, addressed to the public at large or to a section of the public". The following table shows the expenditure on publicity:

Publicity	2010/11 £
Recruitment Advertising	88,186
Visitor Centres	665
Information & Interpretation	2,495
Public Relations	7,922
Other Publicity and Marketing	83,605
Total	**182,873**

South Downs
National Park Authority

ANNUAL GOVERNANCE STATEMENT

for the year ended 31 March 2011

Annual Governance Statement for the year ended 31 March 2011

1 Scope of responsibility

The South Downs National Park Authority (the "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, which includes arrangements for the management of risk.

The South Downs National Park Authority came into being in "shadow" form on 1 April 2010. The focus of the Authority's activity and decision making in the year 2010/11 has been making preparations for taking on full statutory responsibilities from 1 April 2011. This statement outlines how the Authority has approached the question of how it will go about the discharge of its statutory functions, and how it has adopted a governance framework in support of its objectives. The statement also meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 for the Authority to conduct a review at least once in a year of the effectiveness of its system of internal control.

2 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 system of internal control has been in place within the Authority for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

The process by which the review of internal control has been conducted was the subject of consideration by the Authority's Audit Committee. The agreed process has involved the Interim Chief Finance Officer, Director of Corporate Services and Monitoring Officer carrying out the review in consultation with members of the Strategic Management Team. A draft of the statement has then been considered by Audit Committee, prior to approval by the Full Authority (the "Authority"). The Audit Committee has also agreed that an action for the Authority in its second year of operation, 2011/12, shall be the preparation and adoption by members of a Code of Corporate Governance, in line with recognised best practice guidance. This will inform the preparation of next year's annual governance statement by forming agreed criteria against which the effectiveness of the governance framework may be assessed.

3 The Authority's Approach to National Park Purposes

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.

The Authority's approach to the delivery of National Park functions has been the subject of consideration by members. Guiding principles have been adopted. A key element in the agreed approach is working with partners and community groups.

The Authority has therefore 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. An Accord with Natural England was entered into in November 2010, and Memoranda of Understanding with the South Downs Network and South Downs Land Management Group, in February 2011. In March 2011 a Memorandum of Understanding with the Associations of Local Councils within the South Downs was agreed. The Authority also made member appointments to a number of local partner organisations and groups including the South Downs Local Access Forum, East and West Sussex Rural Forums.

The delivery of planning services has been the subject of specific consideration, resulting in Members agreeing to enter into agency arrangements with local authorities for the delivery of services from 1 April 2011.

In March 2011, the Authority considered and approved arrangements for the establishment of a Sustainable Communities Fund, including the making of grants to local community and voluntary groups for projects supporting sustainable communities within the National Park. The Grants Panel includes membership of local organisations from the private and voluntary sectors.

Since its inaugural meeting on 20 April 2010, the Authority has operated arrangements to enable members of the public to ask questions and make representations on relevant matters at meetings of the Full Authority and its committees.

In March 2011, the Authority adopted 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 the Authority's website. Provision has been made for an annual report on complaints received to be considered by the Authority's Standards Committee, so that the Authority can be assured that the procedure is working well and that lessons for service improvement are being identified wherever practicable.

4 Structures and processes

The Authority has established structures and processes which support its approach to discharging National Park purposes, by ensuring that there is transparency and accountability in its decision making and in the use of public funds. The Authority intends that the successful operation of such processes will be consistent with aims of sound administration and enhance the confidence of partners and stakeholders in its affairs.

On 20 April 2010 the Authority established four committees with distinct terms of reference: Audit Committee, Resources and Performance Committee, Planning Committee and Standards Committee. This enables Members to develop expertise in particular areas of the Authority's operations and contributes to the efficient discharge of the Authority's business.

Major strategic plans and policies receive consideration by Members. A scheme of delegation to officers was approved by Members in April 2010, making clear that the role of officers is to implement and give effect to strategies and policies approved by the Authority.

In 2010/2011 the Authority held nine 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 adopted Standing Orders governing the conduct of business at meetings of the Authority and its committees.

In addition to formal meetings, there have been a number of informal briefing and training sessions for Members on various aspects of their responsibilities and to aid the development of policy. Decisions on policy and strategic issues are made in formal meetings. A Member Development Strategy is in place and there are annual Member discussions about development needs.

At its inaugural meeting on 20 April 2010, the Authority designated the roles of statutory officers. Richard Shaw, as Chief Executive, is National Park Officer and Head of Paid Service. Kevin Gardner, Head of Legal Services for Hampshire County Council, is Monitoring Officer. Catherine Vaughan, Chief Finance Officer for Brighton & Hove City Council, is Interim Chief Finance Officer (Section 151 Officer).

The Authority has maintained arrangements to ensure that its dealings are lawful. In addition to the advice of the Monitoring Officer, the Authority receives legal services support from West Sussex County Council's legal services under a service level agreement. In 2010/11 no formal reports by the Monitoring Officer, further to section 5 of the Local Government and Housing Act 1989, were necessary.

An indemnity for Members and officers against personal liability was the subject of a report to Members, the recommendations of which were agreed, in February 2011.

The Authority's approach includes maintaining a small core staff, with outsourcing of a range of specialist services such as finance, legal services and ICT. This is designed to ensure flexibility in the use of resources to meet changing needs, and to secure value for money.

The Authority's 2011/12 budget and Medium Term Financial Strategy are based on an assessment of the Authority's longer term funding position, and involve only committing additional resources on one off projects. This is to protect the Authority's financial position and manage risk.

5 Risk management and internal control

The Authority has established a systematic strategy, framework and processes for managing risk. A risk register is maintained, and reviewed on a quarterly basis at meetings of the Audit Committee. This enables relevant risks to be identified and evaluated, with consideration given to appropriate mitigation strategies.

At its inaugural meeting the Authority adopted Financial Regulations, providing a framework for the management of the Authority's financial affairs. At this meeting the Authority also adopted a Treasury Management Policy and Annual Investment Strategy. A Budget and Business Plan were approved by the Authority in May 2010. Financial Regulations and Procedures were the subject of further review by the Authority in March 2011.

Contracts standing orders were adopted in July 2010, setting out arrangements governing the award of contracts, to ensure that procurement processes were fair, transparent and lawful, and that best value for money is being obtained.

Payment of allowances to Members is made in accordance with the scheme approved by Members following receipt of an independent review, in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003.

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 by the Authority following scrutiny by the Resources and Performance Committee, who receive reports on budget monitoring. The Authority's accounts are subject to external audit on an annual basis and reported to the Audit Committee at a public meeting.

The Authority has also received confidential reports on the matter of securing long term premises, exercising due care to ensure that the needs of the Authority are met in the most appropriate way.

As part of its preparations for becoming fully operational from 1 April 2011, the Authority has taken care to manage the transitional arrangements for transfer of responsibility from the South Downs Joint Committee. Members considered and approved a Transition Plan in November 2010.

Internal audit support has been provided under a service level agreement by Brighton and Hove Council's Internal Audit Service. The Authority's external auditors, the Audit Commission, review the appropriateness of internal audit arrangements and accordingly place reliance on the work done. The coverage in 2010-11 was broad and overall provided an audit opinion of Reasonable Assurance. Significant control weaknesses were however identified in relation to procurement and the accounts payable system. The procurement weaknesses were quickly investigated and reported to the Audit Committee and included payments to the Head of IT, Property and Procurement which were not considered to represent value for money. The accounts payable weaknesses related to the processes for authorisation of invoices. Detailed action plans are in place to address these issues which will be monitored by the Audit Committee.

The Authority has established an Audit Committee with membership that includes two independent Members. This ensures the provision of appropriate skills and experience in the scrutiny of the Authority's arrangements for financial control and risk management, and enhances transparency.

6 Standards of Conduct

The Authority regards the adoption and maintenance of high standards of ethical conduct as a vital factor in its strategic approach to the fulfilment of National Park purposes, by securing and enhancing the confidence of partners and stakeholders in its abilities and effectiveness.

The Authority adopted a Members' Code of Conduct on 20 April 2010. Training for Members has been provided on the implications of the Code, including the provision of refresher training in December 2010. Following detailed scrutiny by the Standards Committee in February 2011, the Authority also adopted in March 2011 a local protocol for Members and officers dealing with planning matters, a local protocol on Member and officer relations, and an officer Code of Conduct. The terms of approval require these documents to be reviewed after one year in operation. Whistle blowing and anti-fraud policies are in place.

The Authority's Standards Committee has responsibility for assessing and determining allegations of failure to comply with the Members' Code of Conduct. Detailed procedures were agreed by the Committee and relevant training provided for Standards Committee Members in November 2010. There have been no allegations of failure to comply with the Code.

Membership of the Standards Committee includes two independent Members, serving as Chair and Vice- Chair. This ensures the provision of appropriate skills and experience in the Authority's arrangements for the maintenance of high ethical standards, and enhances transparency.

All Member meetings of the Authority commence with an item regarding declaration of personal and prejudicial interests, with declarations recorded in the minutes of the meeting. A Register of Members' Interests is maintained, as required by the Local Government Act 2000.

7 Significant governance issues

Significant control weaknesses in the procurement and accounts payable systems were identified as described in section 5 above. As indicated in section 2 above, an action for 2011-12 will be the preparation and adoption by Members of a Code of Corporate Governance, in line with recognised best practice guidance. This will inform the preparation of next year's annual governance statement by forming agreed criteria against which the effectiveness of the governance framework may be assessed.

Actions for 2011-12 also include the following:

- training for new Members;
- training for new permanent employees;
- first full budget requiring detailed monitoring;
- determine future of support service arrangements;
- planning efficiency exercise with Local Planning Authorities;
- ensure actions taken to improve the controls around procurement and accounts payable become embedded in practice.

Signed **Signed**

Chair

Date: 27 September 2011

Chief Executive

Date: 27 September 2011

South Downs
National Park Authority

INDEPENDENT AUDITOR'S REPORT

2010/2011

Independent Auditor's Report to the members of South Downs National Park Authority

Opinion on the Authority accounting statements

I have audited the accounting statements of South Downs National Park Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, 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 South Downs National Park Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 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 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 South Downs National Park Authority'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 for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on the 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 for qualified conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified 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.

In considering the Authority's arrangements for risk management and internal control, I identified weaknesses in internal control over procurement processes and controls operated by the Authority to authorise invoices prior to payment. I concluded that these weaknesses should be urgently addressed given the large proportion of the Authority's total expenditure that is paid to external suppliers.

Qualified conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, with the exception of the matter reported in the basis for conclusion paragraph above, I am satisfied that in all significant respects, South Downs 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 South Downs 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.

Helen Thompson

District Auditor
Audit Commission
Bicentennial Building
Southern Gate
Chichester, West Sussex PO19 8EZ

28 September 2011

South Downs
National Park Authority

GLOSSARY OF TERMS

2010/2011

Glossary

Accounting Policies

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting its financial statements.

Accruals Basis

The accruals basis is the recognition of items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the reporting period in which those effects are experienced and not in the period in which any cash is received or paid.

Actuarial Gains and Losses

Actuarial gains and losses comprise:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

Asset

An asset is a resource controlled by the Authority as a result of past events and from which future economic or service potential is expected to flow to the Authority.

Audit of Financial Statements

An audit is an examination by an independent expert of the Authority's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority as at the Balance Sheet date.

Benefits Payable during Employment

Benefits payable during employment covers:

- Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, and non-monetary benefits for current employees; and
- Benefits earned by current employees but payable 12 months or more after the end of the reporting period, such as long-service leave and long-term disability benefits.

Budget

A budget expresses the Authority's service delivery plans and capital programmes in monetary terms.

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Capital Expenditure

Capital expenditure is expenditure on the acquisition of an asset that will be used to provide services beyond the reporting period or expenditure which adds to and not merely maintains the value of an existing non current asset.

Capital Financing Requirement

The capital financing requirement is the capital investment funded from borrowing which has yet to be repaid.

Capital Programme

The capital programme is a financial summary of the capital projects that the Authority intends to carry out over a specified time.

Capital Receipt

A capital receipt is the proceeds from the sale of an asset. The Government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be utilised to finance capital expenditure.

Capital Reserves

Capital reserves represent resources earmarked to fund capital schemes as part of the Authority's capital investment strategy.

Carrying Amount

The carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting any accumulated depreciation and accumulated impairment losses.

Cash

Cash comprises cash in hand and demand deposits.

Cash Equivalents

Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are the inflows and outflows of cash and cash equivalents.

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Contingent Asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

Contingent Liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Cost

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

Costs to Sell

Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs.

Creditors

Creditors are financial liabilities arising from the contractual obligation to pay cash in the future for goods or service or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

Current Asset

A current asset is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Authority expects to realise the asset within 12 months after the reporting date.

Current Liability

A current liability is an amount which will become payable or could be called in within the next reporting period; examples are creditors and cash overdrawn.

Current Replacement Cost

Current replacement cost is the cost the Authority would incur to acquire the asset on the reporting date.

Current Service Cost (Pensions)

Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Curtailment

For a defined benefit scheme, curtailment is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. For example, it covers the additional cost arising from the early payment of pension benefits when an employee is made redundant.

Debtors

Debtors are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Deferred Liability

A deferred liability is a sum of money that is either not payable until some point after the next reporting period or is paid off over a number of reporting periods.

Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful amount.

Employee Benefits

Employee benefits are all forms of consideration given by the Authority in exchange for service rendered by employees.

Estimation Techniques

Estimation techniques are the methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, expected rate of return on pension assets is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of non current assets.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financing Activities

Financing activities are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

Financial Asset

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments; in practice this is not applicable to local authorities;

Financial Liability

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments; in practice this is not applicable to local authorities

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. Typical financial instruments are:

Liabilities

- Trade payables and other payables
- Borrowings

Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Other receivables and advances
- Investments

General Fund Balance

The General Fund balance shows the resources available to meet future running costs for non-housing services.

Going Concern

Going concern defines that the functions of the Authority will continue in operational existence for the foreseeable future.

Government Grants

Government grants are grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of the Authority's services. These grants may be directed towards the cost of particular schemes or used to support the revenue spend of the Authority.

Grants and Contributions

Grants and contributions are assistance in the form of transfers of resources to an Authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the Authority.

Historical Cost

Historical cost is the carrying amount of an asset as at the date of acquisition and adjusted for subsequent depreciation or impairment (if applicable).

Income

Income is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of non current assets.

Interest Cost (Pensions)

The interest cost is the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Accounting Standards (IAS)

International Accounting Standards are standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee (IASC). They were first written in 1973, and stopped when the International Accounting Standards Board (IASB) took over their creation in 2001.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that the Authority's accounts present fairly the financial position of the Authority.

International Financial Reporting Interpretations Committee (IFRIC)

The IFRS Interpretations Committee (formerly called the IFRIC) is the interpretative body of the International Accounting Standards Board (IASB).

International Public Sector Accounting Standards (IPSAS)

International Accounting Standards (IAS) adapted to meet public sector requirements.

Inventories

Inventories are assets:

- in the form of materials or supplies to be consumed in the production process;
- in the form of materials or supplies to be consumed or distributed in the rendering of services;
- held for sale or distribution in the ordinary course of operations; or
- in the process of production for sale or distribution.

Investing Activities

Investing activities are activities relating to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Lease

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liability

A liability is a present obligation of the Authority arising from past events, the settlement of which is expected to result in an outflow from the Authority of resources embodying economic benefits or service potential.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Movement in Reserves Statement

The movement in reserves statement shows the movement in the year on the different reserves held by the Authority, analysed unto usable reserves and other reserves.

National Park Grant

National Park grant is a non ring-fenced Government grant which can be used by the Authority to finance revenue expenditure on any service.

Net Realisable value

The net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Non Current Asset

A non current asset is an asset that does not meet the definition of a current asset.

Non Distributed Costs

Non distributed costs are overheads for which no service benefits; for example pensions arising from discretionary added years service.

Operating Lease

An operating lease is a lease other than a finance lease.

Other Comprehensive Income and Expenditure

Other comprehensive income and expenditure comprises items of expense and income (including reclassification adjustments) that are not recognised in the Surplus / Deficit on the Provision of Services as required or permitted by the Code.

Operating Activities

Operating activities are the activities of the Authority that are not investing or financing activities.

Past Service Cost (Pensions)

The past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Pension Reserve

The pensions reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the Authority's recognised liability under IAS 19, *Retirement Benefits*, for the same period.

Post Employment Benefits

Post employment benefits cover not only pensions but also other benefits payable post employment such as life insurance and medical care.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and which are expected to be used during more than one period.

Provision

A provision is a liability of uncertain timing or amount.

Related Party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:

- an entity that has an interest in the Authority that gives it significant influence over the Authority; and
- key management personnel, and close members of the family of key management personnel.

Related Party Transaction

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Authority or the Government of which it forms part.

Reporting Period

The reporting period is the length of time covered by the financial statements.

Reserves

Reserves are the residual interest in the assets of the Authority after deducting all of its liabilities.

Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue Expenditure

Revenue expenditure is the day to day running costs relating to the reporting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Settlements (Pensions)

Settlements are an irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. For example, adjustments to the pension liability arising from bulk transfers of employees.

Short-term Compensated Absences

Short term compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. For example, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service. Short-term employee benefits include:

- wages, salaries and social security contributions;
- short-term compensated absences; and
- non-monetary benefits.

Surplus or Deficit on the Provision of Services

The surplus or deficit on the provision of services is the total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

Termination benefits

Termination benefits are benefits that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the Authority.

Total Comprehensive Income and Expenditure

Total comprehensive income and expenditure comprises all components of Surplus / Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.

Usable Reserves

Usable reserves are those reserves that can be applied to fund expenditure.

Useful Life

The useful life is the period which an asset is expected to be available for use by the Authority.

Value Added Tax (VAT)

VAT is an indirect tax levied on most business transactions and on many goods and some services. Input tax is VAT charged on purchases. Output tax is VAT charged on sales.

South Downs National Park Authority
Midhurst Office
Rosemary's Parlour
North Street
Midhurst
West Sussex
GU29 9SB

T: 0300 303 1053
E: info@southdowns.gov.uk
www.southdowns.gov.uk

South Downs National Park Authority

Statement of Accounts 2010/2011

A copy of this document can be found on the Authority's website www.southdowns.gov.uk

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