



South Downs

National Park Authority

STATEMENT OF
ACCOUNTS

2011/2012

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Introduction and Explanatory Foreword

Introduction

The South Downs National Park is England's newest national park. 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 Park formally coming into being on 1 April 2010.

The South Downs National Park covers the South Downs and Western Weald situated in the counties of Hampshire, West Sussex and East Sussex. The South Downs National Park Authority was established in April 2010. After a transitional year, the Authority became fully operational on 1 April 2011 following the transfer of its full powers and responsibilities from the South Downs Joint Committee.

The South Downs National Park Authority (SDNPA) is responsible for promoting the purposes of the National Park and the interests of the people who live and work within it. The work of the Authority is rooted in its statutory purposes and duty, and in its commitment to engage with local communities, partners and stakeholders. As a National Park, the SDNPA has statutory purposes as specified in the Environment Act 1995:

- To conserve and enhance the natural beauty, wildlife and cultural heritage of the area;
- To promote opportunities for the understanding and enjoyment of the special qualities of the Park by the public.

In addition, the Authority has a duty to work in partnership to foster the economic and social well-being of local communities within the National Park.

The 2011/12 Statement of Accounts represent the first operational year of the Authority but also include some transitional costs where projects finished during this reporting period. The Statement of Accounts demonstrates the overall financial position of the Authority at the end of the 2011/12 financial year.

Explanatory Foreword

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2011 to 31 March 2012.

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.

Significant Changes in Accounting Policies

The Code requires any changes in accounting policy to be applied retrospectively unless the Code specifies transitional provisions that should be followed. A change in accounting policy is applied 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 has not adopted any changes in accounting policies in the reporting period. The Authority's accounting policies are included in a separate section of the Statement of Accounts on pages 52 to 65.

Financial Statements, their Purpose and Relationship between them

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 national park authorities.

The Authority is required to present a complete set of financial statements (including comparative information) 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;
- Notes, comprising 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 50 and are presented as follows:

Core Single Entity Financial Statements:

Movements 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 unusable reserves. The Surplus / 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 balance. The Net Increase / Decrease before Transfers to Earmarked Reserves 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 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 are 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.

Accounting Policies

The accounting policies detail the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting its financial statements.

Financial Performance and Segmental Reporting

In 2011/12, the Authority revised the presentation of services for internal reporting purposes. The Authority reports its financial performance across seven service areas – Chief Executive’s Services, Strategy and Partnerships, Planning, Operations, Governance, Corporate Services and Corporate Items. These service areas are classed as “operating segments” of the Authority.

The aim of reporting financial performance at this operating segment level is 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.

Details of the individual services included within each of these operating segments are included in note 22 together with the following detailed information on the financial performance of the Authority by operating segment:

- An analysis of the income and expenditure for each segment which includes those items of income and expenditure that are reported as part of the Authority’s 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);
- Information on services included within each operating segment.

2011/12 Financial Position

The Authority set a revised revenue budget of £11.036m for 2011/12 which was funded by National Park Grant of £11.373m thereby a net revenue budget surplus of £0.337m.

The Authority received gross revenue income of £12.585m in 2011/12, which included the National Park Grant of £11.373m received from the government. The Authority incurred gross revenue expenditure of £11.263m in the same period. The net revenue expenditure was £1.322m, a variation of £0.985m when compared to the net budget (including the National Park Grant) of £0.337m. This underspend represents an 8.93% positive variation on the total budget.

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

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure:			
Employees	4,256	3,117	(1,139)
Premises	603	219	(384)
Transport	191	162	(29)
Supplies & Services	2,327	3,111	784
Third Party Payments	5,036	4,616	(420)
Capital Financing Costs	25	38	13
Contingency	130	0	(130)
Total Expenditure	12,568	11,263	(1,305)
Income:			
Other Grants and Contributions	(328)	(353)	(25)
Planning Fees Income	(1,179)	(777)	402
Investment Interest	(25)	(82)	(57)
Total Income	(1,532)	(1,212)	320
Net Expenditure excluding National Park Grant	11,036	10,051	(985)
National Park Grant	(11,373)	(11,373)	0
Net Expenditure / (Income)	(337)	(1,322)	(985)

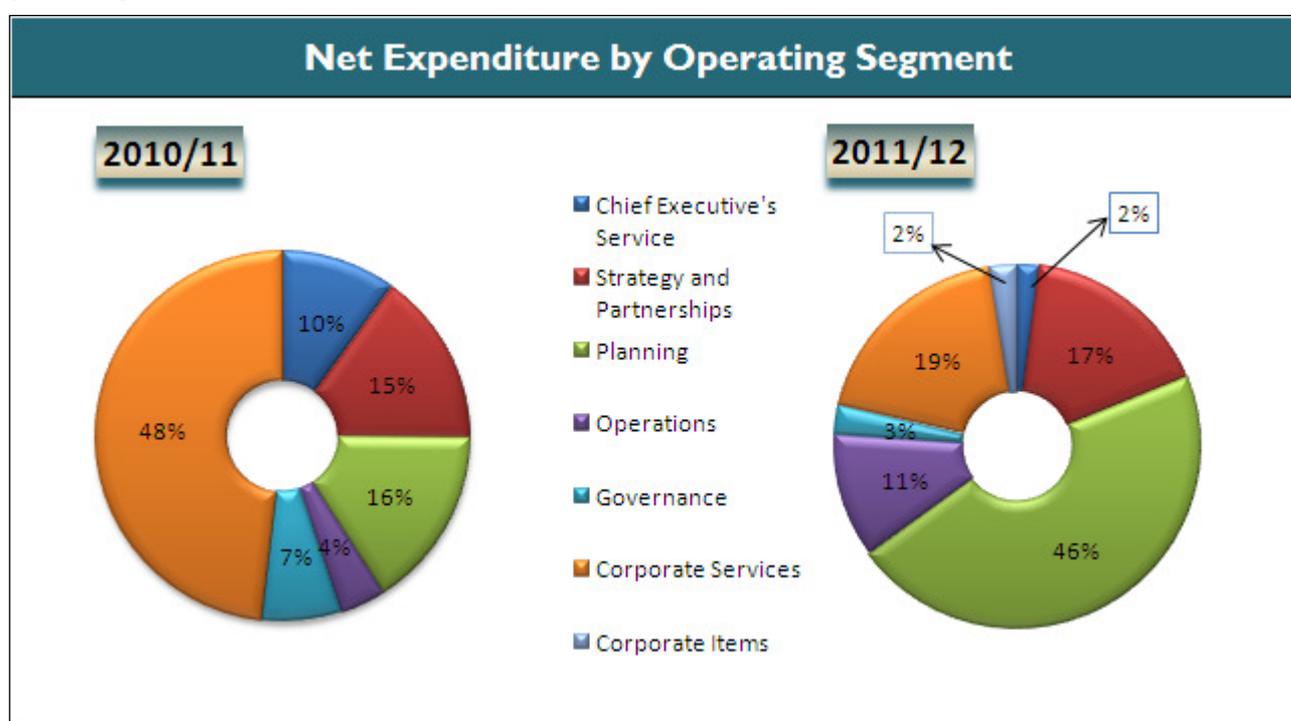
Note: Figures in brackets denote underspendings or income received in excess of that budgeted.

The following table summarises, by operating segment, the spending on services, including variations compared with the budget set by the Authority:

Operating Segments	Revised Budget £'000	Actual £'000	Variance £'000
Chief Executive's Services	218	207	(11)
Strategy and Partnerships	1,620	1,689	69
Planning	4,685	4,622	(63)
Operations	1,552	1,121	(431)
Governance	279	259	(20)
Corporate Services	2,306	1,907	(399)
Corporate Items	376	246	(130)
Total	11,036	10,051	(985)

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

The following chart shows the net expenditure (excluding the revenue grant of £11.373m) by operating segment in percentage terms:



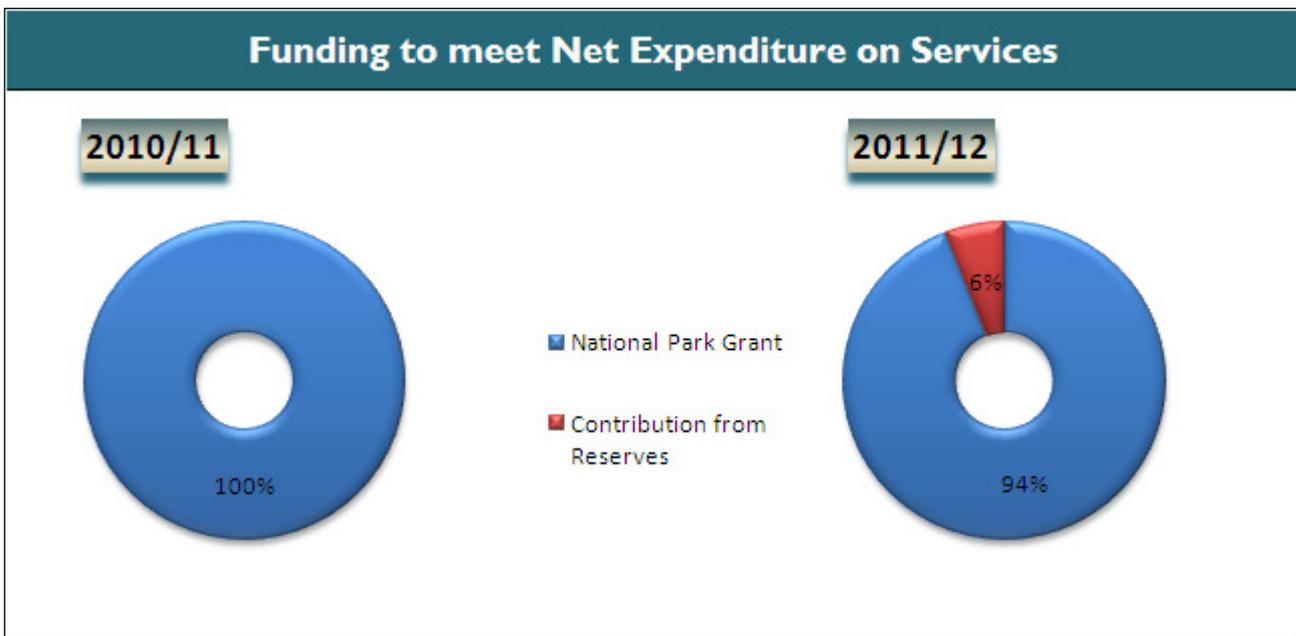
The financial performance in 2011/12 indicates the Authority has delivered services within its overall budget by taking appropriate measures to manage in year risks and pressures. Details of the overall variance of £0.985m are as follows:

- Direct employee costs underspent by £0.823m as a result of a number of vacancies in permanent posts being recruited to later than originally anticipated;
- Indirect employee costs underspent by £0.316m in relation to staff training, staff advertising, relocation and recruitment costs which were lower than originally expected;
- Premises costs underspent by £0.384m due to the review of premises costs as part of the preparation of the estates strategy and the planning for occupation of the Authority's main offices (Capron House);
- Supplies and services budgets overspent by £0.784m which is mainly due to the following significant variances:
 - An overspend of £0.914m from the use of interim staff which is mainly offset by the £0.807m underspend on direct employees resulting in a net overspend of £0.107m on total staffing;
 - An overspend of £0.108m in the Collabor8 project from spending occurring within supplies and services rather than third party payments;

- An underspend of £0.064m on development control professional fees due to fewer planning applications in the first year being considered by the Authority than anticipated;
- An underspend of £0.156m in respect of volunteers, rights of way and access to land works due to a lower level of volunteer expenditure than anticipated and delays to rights of way spend whilst the responsibilities of both the Local Highway Authorities and SDNPA are being agreed;
- An underspend of £0.176m on payments in respect of the Sustainable Communities Fund which will be carried forward into 2012/13 and used for spending against this fund;
- An underspend of £0.278m on the Major Partnerships Fund which will be carried forward into 2012/13 and used for spending against this fund.
- Third party payments underspent by £0.420m due to the following significant variances:
 - The planning policy budget underspent by £0.232m of which £0.089m was from spending occurring within supplies and services rather than third party payments and the remaining £0.143m, from lower than anticipated costs for developing local delivery frameworks and commissioning other evidence required;
 - An underspend of £0.052m on the payments to the 15 local planning authorities (LPAs) under the delegation arrangements; this was due to one LPA delivering some of their 2012/13 efficiency savings in 2011/12 rather than 2012/13 and the original budget including a small contingency to cover any additional set up costs occurring after 1 April 2011;
 - An underspend of £0.021m within Human Resources in respect of the transactional contract where these services are currently being provided in house;
 - An underspend of £0.087m on the Collabor8 project from spending occurring within supplies and services rather than third party payments.
- The main significant variations on income budgets were:
 - An overspend of £0.402m on the planning applications income budget due to fee income being lower than expected, both within the National Park and across the wider areas covered by our partner LPAs;
 - An overachievement of investment income of £0.057m due to higher interest rates than expected.

Revenue Summary 2011/12

The Authority's net revenue budget after income, for 2011/12 was set at £11.036m. The following chart shows the sources of funding which was used to meet the net spending on services:

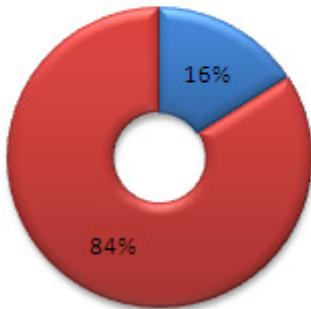


Analysis of Expenditure

The gross revenue expenditure in 2011/12 for services was £11.263m as included within the cost of services in the Comprehensive Income and Expenditure Statement and was spent on the following main expenditure headings (analysed by the Service Reporting Code of Practice (SeRCOP) heading):

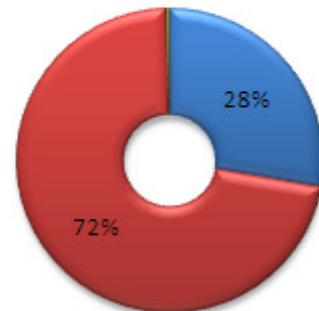
Total Gross Expenditure within Cost of Services

2010/11



- Employee Costs
- Other Service Costs
- Capital Financing Costs

2011/12



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

- Employee costs include total salaries, employers' national insurance contributions, employers' pension contributions, indirect employee expenses including the adjustments required to realign employee costs to an IAS 19 basis and Members' allowances;
- Other Service Costs include:
 - Premises costs which include all running costs, expenditure on goods, services and contractors directly related to property;
 - Transport costs which include all costs connected with the provision, hire or use of transport;
 - Supplies and Services which includes all direct supplies and services expenditure;
 - Third Party Payments which include payments to third party providers of local authority services (e.g. payments to other local authorities and other bodies);
 - Support service charges which include the recharge of management and administration costs and support services costs (e.g. financial services, human resources, legal services, property services) to front line services and internal recharges between services.
- Capital Financing Costs are in respect of the depreciation of non current assets.

Analysis of Income

The gross revenue income in 2011/12 for services was £1.130m, as included in the cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows the sources of the income:

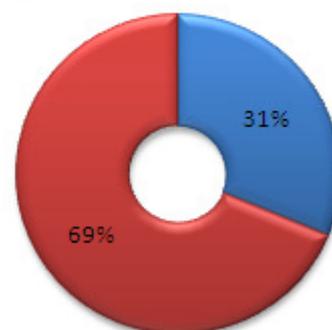
Total Income within Cost of Services

2010/11



- Grants and Contributions
- Planning Fees Income

2011/12



Note: The above chart does not include the National Park Grant as this is reported outside the cost of services

Reserves

Putting in place appropriate levels of general reserves is essential to enable the Authority to effectively manage risk and to provide cover for potential and unforeseen contingencies. The Authority's General Fund balance must last the lifetime of the Authority unless contributions are made from future year's 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 and the levels of other earmarked reserves and provisions. The minimum level of General Fund balance which is considered to be a prudent level for the Authority given the wider environment of financial uncertainty in the public sector is set at £0.650m.

The underspend of £0.985m in 2011/12 is included in the Authority's General Fund balance which stands at £1.713m. The following table shows the General Fund position:

	Total £'000
Balances at 1 April 2011	(728)
Contribution to balances	(985)
Net transfer to earmarked reserves	0
Balance at 31 March 2012	(1,713)
Recommended General Fund Balance	(650)

The Authority also holds earmarked reserves of £3.421m as at 31 March 2012. Note 7 provides information of the specific earmarked reserves held by the Authority.

Capital Summary

A capital programme totalling £0.756m was approved in March 2011 which consisted of the purchase of a fleet of vehicles and the purchase and refurbishment of the Authority's main offices, Capron House.

The total capital expenditure on these assets was £0.019m compared with the approved budget of £0.756m. The variance of £0.737m includes slippage (delays) of £0.750m which will be carried forward into 2012/13 to meet the Authority's ongoing capital commitments. No current or future resources were lost as a result of capital investment programme slippage.

The following table details how the capital outturn of £0.019m was funded:

	Total £'000
Capital Outturn	19
Total Funding Requirement	19
Funding:	
General and Specific Reserves	(6)
Direct Revenue Funding	(13)
Total Funding	(19)

The purchase of the fleet of vehicles has been deferred pending the outcome of the estates strategy which will determine the final location of all staff and associated vehicle requirements.

The approved capital programme included £0.670m for the refurbishment of Capron House which was planned to start whilst the current occupants, Midhurst Rother College, were still in occupancy. However, further investigations by SDNPA officers had determined that no significant progress could be made without causing inconvenience to the college. Completion on the purchase is now scheduled for July 2012 with refurbishment works commencing as soon as it is practicable. This slippage of £0.670m in respect of Capron House will be re-profiled into 2012/13 along with the slippage of £1.015m from 2010/11, and will be used to complete the purchase of Capron House and to undertake the refurbishment works.

Non Current Assets

The value of the Authority's non current assets has decreased in the reporting period by £0.019m, from £0.190m in 2010/11 to £0.171m in 2011/12.

The Authority has purchased £0.019m of non current assets in the year and assets have been depreciated in the reporting period by £0.038m.

Note 11 to the financial statements provides further information on non current assets held by the Authority.

The Authority did not enter into any new leases as lessor or lessee in the year; therefore there were no implications on non current assets in respect of this. Note 13 to the financial statements provides details on the Authority's leases.

Pensions Liability

The Authority's net liability for future pension payments, as estimated by the pensions actuary, Hyman Robertson is £0.054m at 31 March 2012.

There has been a movement in the pension scheme asset/liability from a surplus of £0.016m as at 31 March 2011 to a deficit of £0.054m at 31 March 2012. This movement of £0.070m is due to new permanent employees joining the scheme and the inclusion of a net liability of £0.019m in respect of the transfer of pension liabilities from the South Downs Joint Committee.

This overall deficit on the pension fund represents the difference between the value of the Authority's pension fund assets as at 31 March 2012 and the estimated present value of the future pension payments (i.e. liability) to which it was committed at that date. The value of the Authority's pension fund assets has increased from £0.065m as at 31 March 2011 to £1.219m as at 31 March 2012, an increase of £1.154m. The value of the future pension payments liability has increased from £0.049m as at 31 March 2011 to £1.273m as at 31 March 2012, an increase of £1.224m.

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 the liabilities.

Statutory arrangements for funding the pension deficit mean that the current financial position is robust although future funding of pension liabilities is expected to add to the financial pressures facing local authorities. The deficit on the pension fund will need to be made good by increased contributions over the working life of employees, as assessed by the pension actuary.

The Authority also recognises a reserve for the estimated net pensions liability. Therefore, amounts included in the Authority's financial statements in relation to post employment benefits have no effect on the General Fund balance.

Note 20 to the financial statements provides further information on pension costs.

Investments

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

At 31 March 2012, the Authority had a cash balance of £8.050m of which £2.535m was invested externally and £5.515m held under the management agreement with Brighton & Hove City Council.

The Authority's annual investment strategy (AIS) for 2011/12 was approved by the Authority in March 2011.

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.

The level of investment has increased in year by £2.373m. The following table shows the level of investments made as at the Balance Sheet date:

	31 March 2011 £'000	31 March 2012 £'000
Bank current accounts	3,171	5,515
Short term deposits	2,506	2,535
Total investments	5,677	8,050
(Increase)/Decrease year on year		(2,373)

Note 23 to the financial statements provides further information on investments.

Further Information

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

Further information about the accounts is available from Brighton & 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

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;
- (iii) Approve the Statement of Accounts.

The Chief Finance Officer 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 CIPFA¹ 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 2012.

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;
- (iii) Complied with the Local Authority Code.

The Chief Finance Officer has also:

- (i) Kept proper accounting records which were up to date;
- (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 2012 and its income and expenditure for the year ended 31 March 2012.

Catherine Vaughan CPFA
Chief Finance Officer (Section 151 Officer)
13 September 2012

¹ Chartered Institute of Public Finance and Accountancy

Certification by Chair

I confirm that these accounts were approved by the Audit Committee at a meeting held on 13 September 2012.

Signed on behalf of the South Downs National Park Authority

Norman Dingemans

**Chair
Audit Committee**

Date 13 September 2012



Core Financial Statements

2011/12

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.

Movement in Reserves during 2010/11	Note	General Fund Balance £'000	Earmarked Reserves £'000	Capital 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) / Deficit 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)
Adjustments between Accounting Basis and Funding Basis under Regulations	6	1,436	0	(1,250)	186	(186)	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		(3,826)	0	(1,250)	(5,076)	(187)	(5,263)
Transfers (to) / from Earmarked Reserves	7	3,098	(3,098)	0	0	0	0
(Increase) / Decrease in Year		(728)	(3,098)	(1,250)	(5,076)	(187)	(5,263)
Balance at 31 March 2011		(728)	(3,098)	(1,250)	(5,076)	(187)	(5,263)

Please note the comparative figure for adjustments between accounting basis and funding basis under regulations within Capital Grants Unapplied has been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error.

Movement in Reserves during 2011/12	Note	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011		(728)	(3,098)	(1,250)	(5,076)	(187)	(5,263)
(Surplus) / Deficit on the Provision of Services		(1,336)	0	0	(1,336)	0	(1,336)
Other Comprehensive Income and Expenditure		0	0	0	0	159	159
Total Comprehensive Income and Expenditure		(1,336)	0	0	(1,336)	159	(1,177)
Adjustments between Accounting Basis and Funding Basis under Regulations	6	22	0	0	22	(22)	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves		(1,314)	0	0	(1,314)	137	(1,177)
Transfers (to) / from Earmarked Reserves	7	329	(323)	0	6	(6)	0
(Increase) / Decrease in Year		(985)	(323)	0	(1,308)	131	(1,177)
Balance at 31 March 2012		(1,713)	(3,421)	(1,250)	(6,384)	(56)	(6,440)

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 government grant.

Year Ended 31 March 2011			Note		Year Ended 31 March 2012		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
				Continuing Services			
34	0	34		Conservation of Cultural Heritage	0	0	0
68	(29)	39		Conservation of the Natural Environment	66	(33)	33
10	0	10		Recreation Management and Transport	274	(99)	175
398	0	398		Promoting Understanding	717	(2)	715
607	0	607		Ranger, Estates and Volunteers	1,497	0	1,497
385	0	385		Development Control	4,918	(777)	4,141
1,092	(32)	1,060		Forward Planning and Communities	3,185	(219)	2,966
781	(1)	780		Corporate and Democratic Core	606	0	606
3,375	(62)	3,313		Cost of Services	11,263	(1,130)	10,133
(1)	(34)	(35)	8	Financing and Investment Income and Expenditure	(14)	(82)	(96)
0	(8,540)	(8,540)	9,10	Non-Specific Grant Income	0	(11,373)	(11,373)
3,374	(8,636)	(5,262)		(Surplus) / Deficit on the Provision of Services	11,249	(12,585)	(1,336)
		(1)	20	Actuarial (Gains) / Losses on Pension Assets and Liabilities			159
		(1)		Other Comprehensive Income and Expenditure			159
		(5,263)		Total Comprehensive Income and Expenditure			(1,177)

The Cost of Services in the Comprehensive Income and Expenditure Statement is analysed in accordance with the Service Reporting Code of Practice (SeRCOP) for consistency and comparability of National Park 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 are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement under Adjustments between Accounting Basis and Funding Basis under Regulations.

As at 31 March 2011 £'000	Note		As at 31 March 2012 £'000
190	11	Property, Plant & Equipment	171
2		Long Term Debtors	0
192		Long Term Assets	171
16	27	Inventories	21
295	23,24	Short Term Debtors	1,084
5,677	21,23	Cash and Cash Equivalents	8,050
5,988		Current Assets	9,155
(912)	23,25	Short Term Creditors	(2,771)
(5)	14	Provisions	(61)
(917)		Current Liabilities	(2,832)
0	20	Other Long Term Liabilities	(54)
0		Long Term Liabilities	(54)
5,263		Net Assets	6,440
(5,076)	15	Usable Reserves	(6,384)
(187)	16	Unusable Reserves	(56)
(5,263)		Total Reserves	(6,440)

Please note that the comparative figures for Property, Plant and Equipment and Short Term Debtors have been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error and treat the deposit payment as a payment in advance.

The unaudited accounts were issued on 19 June 2012 and the audited accounts were authorised for issue on 13 September 2012.

Catherine Vaughan CPFA

Chief Finance Officer (Section 151 Officer)

13 September 2012

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.

2010/11 £'000	Note		2011/12 £'000
5,262		Net surplus / (deficit) on the provision of services	1,336
605		Adjustment to surplus / (deficit) on the provision of services for non cash movements	1,056
(1,250)		Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	0
4,617	21	Net Cash Flows from Operating Activities	2,392
1,060	21	Net cash flows from investing activities	(19)
0	21	Net cash flows from financing activities	0
5,677		Net Increase in Cash and Cash Equivalents	2,373
0	21	Cash and Cash Equivalents as at 1 April	5,677
5,677	21	Cash and Cash Equivalents as at 31 March	8,050

Please note the comparative figures for adjustment to surplus / (deficit) on the provision of services for non cash movements and net cash inflows from investing activities have been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error.

Notes to the Core Financial Statements

1 Accounting Policies

The Authority has included a summary of its accounting policies in a separate section of the accounts which can be found on pages 52 to 65.

There have been no changes to the accounting policies in the reporting period.

2 Accounting Standards that have been Issued but have not yet been Adopted

The Code has adopted the amendments to IFRS 7 *Financial Instruments: Disclosures*, which will need to be adopted fully by the authority in the 2012/13 financial statements. This is not a change in accounting policy that will require the publication of a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) in the 2012/13 financial statements.

In October 2010, the International Accounting Standards Board (IASB) issued amendments to IFRS 7 *Financial Instruments: Disclosures (Transfers of Financial Assets)*. The amendments replace the previous requirements with detailed disclosures that are designed to assist the users of the Authority's financial statements to evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on the Authority's financial position. Such transfers are not common transactions for local authorities and the Authority will assess the disclosure requirements required should this type of transaction occur in the 2012/13 financial year. The Authority did not have any such transactions in the reporting period.

3 Critical Judgements and Assumptions Made

In preparing the Statement of Accounts, the Authority has had to make judgements, estimates 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 estimates and 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 Authority includes accounting estimates within the accounts; the significant accounting estimates relate to non current assets. The Authority's accounting policies include details on the calculation of these accounting estimates.

Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information or new developments, and accordingly are not correction of errors. Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and assumptions made and key sources of estimation uncertainty identified by the Authority which have a significant 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 20;

- Provisions – The Authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the Authority also exercises judgement; they are measured at the Authority’s best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the Authority’s provisions are set out in note 14;
- 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 types of asset, the expected length of service potential of the asset and the likelihood of the Authority’s usage of the asset;
- Future Levels of Government Funding and Levels of Reserves – the future levels of funding for National Park authorities has a high degree of uncertainty. The Authority has set aside amounts in its 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, budget assumptions and other earmarked reserves;
- Classification of Leases – The Authority has entered into a lease arrangement in respect of property assets. 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 13.

4 Events after the Balance Sheet Date

These accounts were authorised for issue by the Chief Finance Officer on 13 September 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no significant adjusting or non adjusting events which required the amendment of the financial statements.

5 Agency Services

Under various statutory powers, the authority may agree with other local authorities, water companies and government departments to do work on their behalf. The authority has the following significant agency arrangements:

Value Added Tax (VAT)

The Authority acts as an agent of HMRC for the collection of VAT. The Authority has included a net debtor in its Balance Sheet of £0.163m for the amount due from HMRC at the end of the reporting period.

Payroll Taxes and National Insurance

The Authority acts as an agent of HMRC for the collection of income tax and national insurance on behalf of employees. The Authority has included a net creditor in its Balance Sheet of £0.072m for the amount due to HMRC at the end of the reporting period.

Planning Service

During 2011/12, all 15 local authorities whose boundaries fall within the Park provided the majority of the planning service on behalf of the SDNPA under legal agreements signed between each local authority and the SDNPA. The net payment to these local authorities in 2011/12 amounted to £2.910m which included £0.778m income received by the local authorities in relation to application fees.

6 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details 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. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practices. The General Fund balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Earmarked Reserves

The Authority holds a number of earmarked reserves which are used to earmark resources for specific purposes. Note 7 provides a breakdown of earmarked reserves.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The reserve also holds grants and contributions received towards capital projects for which there are no conditions for repayment attached, where expenditure has yet to be incurred. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The following table shows an analysis of the movements included in Adjustment between Accounting Basis and Funding Basis under Regulations within the Movement in Reserves Statement:

	Movement in Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
2011/12				
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT				
Charges for depreciation of non current assets	(38)	0	0	38
Capital expenditure charged against the General Fund balance	13	0	0	(13)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(298)	0	0	298
Employer's pension contributions and direct payments to pensioners payable in the year	401	0	0	(401)
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	(56)	0	0	56
Total Adjustments between accounting basis and funding basis under regulations	22	0	0	(22)
2010/11 Comparative Figures				
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT				
Charges for depreciation of non current assets	0	0	0	0
Capital expenditure charged against the General Fund balance	190	0	0	(190)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED ACCOUNT				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,250	0	(1,250)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0
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	0	34
Employer's pension contributions and direct payments to pensioners payable in the year	35	0	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	0	5
Total Adjustments between accounting basis and funding basis under regulations	1,436	0	(1,250)	(186)

Please note the comparative figures for capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and the application of grants to capital financing transferred to the Capital Adjustment Account have been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error.

7 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 and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12:

Transfers to / from Earmarked Reserves							
	Balance at 1 April 2010	Transfers From 2010/11	Transfers To 2010/11	Balance at 31 March 2011	Transfers From 2011/12	Transfers To 2011/12	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Planning Delivery Reserve	0	0	(400)	(400)	0	0	(400)
Community Grants Reserve	0	0	(200)	(200)	200	(176)	(176)
Residual Set Up Reserve	0	0	(370)	(370)	0	0	(370)
Heathland Project Reserve	0	0	(29)	(29)	6	(1)	(24)
Carry Forwards	0	0	(511)	(511)	511	(528)	(528)
Planning Risk Management Reserve	0	0	(600)	(600)	0	0	(600)
Collabor8 Project Reserve	0	0	(30)	(30)	0	0	(30)
Major Projects Reserve	0	0	0	0	0	(278)	(278)
Repairs and Renewals - Vehicles Reserve	0	0	0	0	0	(63)	(63)
Insurance Reserve	0	0	(50)	(50)	0	0	(50)
Capital Reserves	0	0	(908)	(908)	6	0	(902)
Total Earmarked Reserves	0	0	(3,098)	(3,098)	723	(1,046)	(3,421)

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

The Community Grants reserve is a short term reserve which will be used to provide small community grants, to support community action in the delivery of local and national priorities of the Park.

The Residual Set Up reserve is a short term reserve to fund any additional costs not included in the budget. These costs may include future pay harmonisation and additional training.

The Heathland Project reserve holds funding received from Natural England to be used on various Heathland related projects across the Park.

Carry forwards are approved carry forward of budget to meet future specific costs.

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 Major Projects reserve provides funding for specific projects.

The Repairs and Renewals Vehicle reserve will be used to replace existing vehicles as they come to the end of their useful life.

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

The Capital reserves holds resources to fund capital schemes as part of the Authority's capital programme.

8 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:

Financing and Investment Income and Expenditure		
	2010/11 £'000	2011/12 £'000
Pensions interest cost and expected return on pensions assets	(1)	(14)
Interest receivable and similar income	(34)	(82)
Total Financing and Investment Income and Expenditure	(35)	(96)

9 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:

Non Specific Grant Income		
	2010/11 £'000	2011/12 £'000
National Park grant	(7,290)	(11,373)
Capital grant	(1,250)	0
Total Non Specific Grant Income	(8,540)	(11,373)

10 Grant Income and Contributions

The Authority receives grants (both from central government and non government bodies) and contributions, both for revenue and capital purposes.

Government Revenue Grants

Grants received from central government can be either ring fenced for a specific purpose or non ring fenced.

Non ring fenced government grants are revenue grants distributed by central government that do not relate to the performance of a specific service. The Authority is free to use all of its non ring fenced funding as it sees fit to support the delivery of local, regional and national priorities in the Authority's area. Non ring fenced government grants are shown under non specific grant income within the Comprehensive Income and Expenditure Statement.

Ring fenced grants are revenue grants distributed by central government that relate to a specific service. Ring fenced grants are included in the appropriate cost of service within the Comprehensive Income and Expenditure Statement.

The table below shows the government grants received by the Authority and credited to the Comprehensive Income and Expenditure Statement:

Government Revenue Grants		
	2010/11	2011/12
	£'000	£'000
Non Ring Fenced Government Grants credited to Non Specific Grant Income		
Department for Environment, Food and Rural Affairs (DEFRA)	(7,290)	(11,373)
Total	(7,290)	(11,373)
Ring Fenced Government Grants credited to Cost of Services		
Natural England	0	(86)
Total	0	(86)
Total Government Revenue Grants	(7,290)	(11,459)

Non Government Contributions

The table below shows the non government revenue contributions received by the Authority and credited to the appropriate cost of service in the Comprehensive Income and Expenditure Statement:

Non Government Contributions		
	2010/11	2011/12
	£'000	£'000
Non Government Revenue Contributions credited to Cost of Services		
Contributions from Other Agencies / External Bodies	(32)	(173)
Contributions from Other Local Authorities	(29)	(97)
Total Non Government Revenue Contributions	(61)	(270)

Capital Grants and Contributions

The Authority did not receive any capital grants or contributions in 2011/12; however, it did receive a grant of £1.250m in 2010/11 from DEFRA.

11 Property, Plant and Equipment

The Authority categorises its property, plant and equipment into sub categories, namely vehicles, plant, furniture and equipment and assets under construction. The following table shows the gross carrying amount and the accumulated depreciation at the beginning and end of the period for each sub category of property, plant and equipment:

2011/12	Vehicles, Plant, Furniture & Equipment £'000	Assets Under Construction £'000	Total £'000
Balance at 1 April 2011			
Gross carrying amount	190	0	190
Accumulated depreciation	0	0	0
Net Carrying Amount at 1 April 2011	190	0	190
Capital Additions			
Additions	19	0	19
Depreciation Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement			
Depreciation charge	(38)	0	(38)
Net Carrying Amount at 31 March 2012	171	0	171
Comprising			
Gross carrying amount	209	0	209
Accumulated depreciation	(38)	0	(38)
Net Carrying Amount at 31 March 2012	171	0	171

2010/11 Comparative Figures	Vehicles, Plant, Furniture & Equipment £'000	Assets Under Construction £'000	Total £'000
Balance at 1 April 2010			
Gross carrying amount	0	0	0
Accumulated depreciation	0	0	0
Net Carrying Amount at 1 April 2010	0	0	0
Capital Additions			
Additions	190	0	190
Depreciation Transactions charged to the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement			
Depreciation charge	0	0	0
Net Carrying Amount at 31 March 2011	190	0	190
Comprising			
Gross carrying amount	190	0	190
Accumulated depreciation	0	0	0
Net Carrying Amount at 31 March 2011	190	0	190

Please note the comparative figures for assets under construction have been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error.

Measurement Bases

The Authority uses the following measurement bases for determining the gross carrying amount of property, plant and equipment assets:

- Vehicles, plant and equipment are measured at depreciated historical cost;
- Assets under construction are measured at historical cost.

Valuations

No valuations of non current assets took place in the reporting period because:

- Vehicles, plant, furniture and equipment is held at historic cost and therefore no revaluation of this category of asset takes place;
- Assets under construction is measured at historical cost and revaluation only takes place when the asset becomes operational.

Depreciation Methods

Depreciation is calculated on a straight line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all property, plant and equipment assets except land and assets under construction. The Authority does not charge depreciation in the year of acquisition but does charge a full year's depreciation in the year of disposal.

Useful Lives

Assets of the same type generally have the same life but there are exceptions for specific assets. Asset lives for vehicles, plant, furniture and equipment are set at five years.

Contractual Commitments

The Authority had entered into a contract for £0.750m for the completion of the purchase of Capron house. As at 31 March 2012, the outstanding contract value was £0.675m. The remaining payment of £0.675m will be made in 2012/13. The following table shows the amount of significant contractual commitments for property, plant and equipment that existed at the Balance Sheet Date:

Commitments in respect of Property, Plant and Equipment				
Scheme Name	Description	2012/13 £'000	2013/14 £'000	2014/15 £'000
Other Land and Buildings				
Capron House	Completion of Purchase	675	0	0
Capron House	Refurbishment Costs	214	0	0

12 Capital Expenditure and Capital Financing

The Authority incurred £0.019m of capital expenditure in 2011/12. The table below shows the total amount of capital expenditure incurred analysed for each category of non current asset 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. The CFR is analysed in the second part of the table. As the capital expenditure has all been funded in the year the closing CFR is zero.

Capital Expenditure and Capital Financing		
	2010/11	2011/12
	£'000	£'000
Opening Capital Financing Requirement	0	0
Capital Investment		
- Property, Plant and Equipment	190	19
	190	19
Sources of Finance		
- Government grants	0	0
- Reserves	0	(6)
- Revenue contributions	(190)	(13)
	(190)	(19)
Closing Capital Financing Requirement	0	0
Increase / (Decrease) in Capital Financing Requirement	0	0
The Capital Financing Requirements reflects the following Balance Sheet items:		
Non Current Assets	190	171
Capital Adjustment Account	(190)	(171)
Total	0	0

Please note the comparative figures for property, plant and equipment capital investment and non current assets and capital adjustment account have been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error.

13 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).

Authority as Lessee – Operating Leases

As lessee, the Authority does not have any finance leases; however, it leases office space under an operating lease with lease periods of between one and two years.

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:

Future Minimum Lease Payments under Operating Leases		
	31 March 2011	31 March 2012
	£'000	£'000
Not later than one year	79	97
Later than one year and not later than five years	63	45
Later than five years	0	0
Total Future Minimum Lease Payments	142	142

In 2011/12, the Authority made lease payments of £0.106m (£0.041m 2010/11) in respect of these leases; the lease payments were charged to the relevant cost of services in the Comprehensive Income and Expenditure Statement.

14 Provisions

The Authority sets aside amounts as provisions for liabilities of uncertain timing or amount. The following table shows the level of the Authority's provisions, together with the movement during the reporting period:

Provisions					
	Balance at 1 April 2011 £'000	2011/12			Balance at 31 March 2012 £'000
		Additional Provisions Made £'000	Amounts Used £'000	Unused Amounts Reversed £'000	
Short Term Provisions					
Accumulated Absences	(5)	(61)	0	5	(61)
Total	(5)	(61)	0	5	(61)

The accumulated absences provision relates to the accumulated compensated absences (e.g. annual leave and flexi leave) that are carried forward for use in future periods if the current period's entitlements are not used in full.

15 Usable Reserves

The Authority holds a number of usable reserves, being those reserves that the Authority can use 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.

16 Unusable Reserves

The Authority holds a number of 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	Balance as at 31 March 2012 £'000
Pensions Reserve	(2)	54
Accumulated Absences Account	5	61
Total Unusable Reserves Held for Revenue Purposes	3	115
Capital Adjustment Account	(190)	(171)
Total Unusable Reserves Held for Capital Purposes	(190)	(171)
Total Unusable Reserves	(187)	(56)

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 6 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	2011/12	
	£'000	£'000	£'000
Balance as at 1 April	0		(190)
Reversal of items relating to capital expenditure debited / credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation of non current assets	0	38	
Net written out amount of the cost of non current assets consumed in the year	0		38
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(6)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	0	
Capital expenditure charged against the General Fund balance	(190)	(13)	
	(190)		(19)
Balance as at 31 March	(190)		(171)

Please note the comparative figure for capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing has been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error.

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 debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. 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	2011/12 £'000
Balance as at 1 April	0	(2)
Actuarial gains / losses on pension assets and liabilities	(1)	159
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	298
Employer's pensions contributions and direct payments to pensioners payable in the year	(35)	(401)
Balance as at 31 March	(2)	54

The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. Note 20 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 table below 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	2011/12	
		£'000	£'000
Balance as at 1 April	0		5
Settlement or cancellation of accrual made at the end of the preceding year	0	(5)	
Amounts accrued at the end of the current year	5	61	
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		56
Balance as at 31 March	5		61

17 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 material related party transactions.

Central Government

Central Government has significant influence over the general operations of the Authority and provides the statutory framework within which the Authority operates, provides the majority of its 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 2011/12 can be found in notes 9 and 10. Details of the amounts owed to/from central government are included in notes 24 and 25.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2011/12 is shown in note 18. During 2011/12, works and services to the value of £3.110m (£0.634m 2010/11) 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 the entities that members are involved with are recorded in the Register of Member's 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 2011/12, Brighton & Hove City Council provided Chief Finance Officer (£151) and other financial services to the Authority on a contractual basis to the value of £0.455m (£0.301m 2010/11). Senior officers of Brighton & Hove City Council were in a position to influence financial transactions of the Authority.

18 Members' Allowances and Expenses

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

Member's Allowances and Expenses		
	2010/11 £'000	2011/12 £'000
Allowances	90	91
Expenses	17	23
Total Payments to Members	107	114

Details of allowances and expenses paid in 2011/12 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.

19 Officers' Remuneration

The Code requires disclosure of remuneration paid to the Authority's senior employees. The definition of a senior employee is provided in the Accounts and Audit regulations and includes the chief executive, 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 2011/12 the senior employee posts of the Authority were filled by a combination of permanent appointments and interim and agency appointments. The interim and agency arrangements are not covered by the Code's disclosure requirements, however in the interests of transparency the total cost of all appointments have been set out in the following table:

Senior Management Team				
Post	Nature of employment	Period	Full Year Salary £'000	Actual Cost in 2011/12 £'000
Chief Executive	Agency	April 2011-Jan 2012	0	131
	Staff member	Jan 2012 - March 2012	108	22
Director of Corporate Services	Agency	April 2011 - October 2011	0	98
	Staff member	October 2011 - March 2012	77	35
Director of Planning	Agency	April 2011 - November 2011	0	94
	Staff member	November 2011 - March 2012	95	46
Director of Strategy	Staff member	April 2011 - March 2012	87	81
Director of Operations	Staff member	April 2011 - March 2012	67	67
Total Cost of Senior Management Team			434	574

The following tables shows the actual remuneration paid to permanent senior employees and other staff. As appointments were made during 2011/12, the costs do not equate to full time equivalents; the previous table shows full time equivalent costs for these employees:

Senior Employee Remuneration of Permanent Appointments - salary between £50,000 and £149,999 per year							
2010/11	2011/12						
Total Remuneration including Pension Contributions £	Post Holder Information	Salary (including Fees & Allowances) £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
0	Chief Executive	18,629	0	0	18,629	3,707	22,336
0	Director of Corporate Services	29,533	0	0	29,533	5,820	35,353
0	Director of Planning Services	33,257	6,600	0	39,857	6,550	46,407
0	Director of Strategy	68,126	0	0	68,126	13,333	81,459
0	Director of Operations	56,912	0	0	56,912	10,031	66,943
0	Total	206,457	6,600	0	213,057	39,441	252,498
Other Staff							
Nature of Employment	2010/11		2011/12				
	Number of Staff	Actual Cost £'000	Number of Staff	Actual Cost £'000			
Employed	24	258	120	2,346			
Interim Staff	21	750	42	910			
Secondment	38	352	0	0			
Total	83	1,360	162	3,256			

Note: All costs include expenses and agency fees, interim staff includes all agency staff and consultants.

20 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 the commitment in respect of 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:

Transactions made in respect of the Local Government Pension Scheme		
	2010/11 £'000	2011/12 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• Current service cost	(35)	(312)
Financing and Investment Income and Expenditure		
• Interest cost	(1)	(46)
• Expected return on scheme assets	2	60
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	(34)	(298)
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus / Deficit for the Provision of Services for post employment benefits	34	298
Actual amount charged against the General Fund Balance for pensions in the year		
• Employers' contributions payable to the scheme	(35)	(401)
Net Adjustment to Pension Reserve	(1)	(103)

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is £0.153m.

Assets and Liabilities in relation to Post Employment Benefits

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

Present Value of the Pension Scheme Liabilities		
	2010/11 £'000	2011/12 £'000
Balance at 1 April	0	(49)
Current service cost	(35)	(312)
Interest cost	(1)	(46)
Contributions by scheme participants	(13)	(127)
Actuarial gains / (losses)	0	(126)
Liabilities assumed in a business combination	0	(613)
Balance at 31 March	(49)	(1,273)

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

Fair Value of the Pension Scheme Assets		
	2010/11 £'000	2011/12 £'000
Balance at 1 April	0	65
Expected rate of return	2	60
Actuarial gains / (losses)	1	(28)
Transfer Value	14	0
Employer contribution as per actuary report	35	401
Contributions by scheme participants	13	127
Assets acquired in a business combination	0	594
Balance at 31 March	65	1,219

The expected return on scheme assets of £0.060m (£0.002m for 2010/11) 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 £0.032m (£0.003m for 2010/11).

Local Government Pension Scheme History

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 / deficit in the Local Government Pension Scheme:

Pension Scheme History		
	31 March 2011 £'000	31 March 2012 £'000
Present Value of Liabilities	(49)	(1,273)
Fair Value of Assets	65	1,219
Surplus / (Deficit) in the Scheme	16	(54)

The present value of liabilities shows the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. Based on the current benefit structure of the Local Government Pension Scheme and using the roll forward method, the actuarial estimate of the present value of funded liabilities as at 31 March 2012 is £1.273m which is in respect of employee members.

The actuarial estimate of the present value of liabilities as at 31 March 2012 is £1.273m for funded obligations which includes £1.264m in respect of employee members and £0.009m in respect of deferred pensioners. There were no unfunded obligations as at 31 March 2012.

Assuming no material events such as curtailments, settlements, restrictions are 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 2013 will be in the region of £0.358m.

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 dependent 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:

Principal Assumptions		
	31 March 2011	31 March 2012
Long term expected rate of return on assets in the scheme		
Equity Investments	7.5%	6.2%
Bonds	4.9%	4.3%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality assumptions		
Longevity at 65 for current pensioners:		
• men	22.7 years	22.7 years
• women	24.2 years	24.2 years
Longevity at 65 for future pensioners:		
• men	24.3 years	24.3 years
• women	26.4 years	26.4 years
Financial assumptions		
Rate of inflation/pension increase rate	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate for discounting scheme liabilities	5.5%	4.8%
Expected total return on assets	6.9%	5.8%

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:

Proportion of the Fair Value of the Scheme Assets by Category		
	31 March 2011	31 March 2012
Equity Investments	77.0%	76.0%
Bonds	14.0%	14.0%
Property	7.0%	9.0%
Cash	2.0%	1.0%
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:

Experience Gains and Losses				
	2010/11		2011/12	
	£'000	%	£'000	%
Experience gains and (losses) on assets	1	1.5	(28)	(2.3)
Experience gains and (losses) on liabilities	0	0.0	(124)	9.7

21 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 three months.

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

Cash and Cash Equivalents		
	31 March 2011	31 March 2012
	£'000	£'000
Bank current accounts	3,171	5,515
Short term deposits	2,506	2,535
Total Cash and Cash Equivalents	5,677	8,050

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	2011/12 £'000
Surplus on the Provision of Services	5,262	1,336
Adjustments to the Surplus on the Provision of Services for Non Cash Movements		
Depreciation	0	38
Increase in creditors	912	1,859
Increase in debtors	(295)	(789)
Increase in inventories	(16)	(5)
Pension asset / liability	(1)	(103)
Contributions to provisions	5	56
	605	1,056
Adjustments for items included in the Surplus on the Provision of Services that are Investing or Financing Activities		
Capital grants credited to the surplus on the provision of services	(1,250)	0
	(1,250)	0
Net Cash Flows from Operating Activities	4,617	2,392

Please note the comparative figure for increase in debtors has been restated to treat the acquisition transactions in relation to Capron House as a payment in advance rather than capitalising as a non current asset.

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	2011/12
	£'000	£'000
Interest Received		
Ordinary interest received	34	82
	34	82
Interest Paid		
Interest charge for year	0	0
	0	0
Net Cash Flows from Operating Activities relating to Interest	34	82

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	2011/12
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets		
Property, plant and equipment purchased	(190)	(19)
	(190)	(19)
Other Receipts from Investing Activities		
Capital grants received	1,250	0
	1,250	0
Net Cash Flows from Investing Activities	1,060	(19)

Please note the comparative figure for property, plant and equipment purchased has been restated to remove the acquisition transactions in relation to Capron House which had been capitalised in error.

Net Cash Flows from Financing Activities

There were no cash flows from financing activities.

22 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 specified by the *Service Reporting Code of Practice (SeRCOP)*. 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;
- expenditure on support services is budgeted for centrally and not charged to services.

The Authority identifies its principal services (i.e. principal operating segments) 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 2011/12, the principal operating segments of the Authority are:

- Chief Executive's Service which includes the cost of the Chief Executive and administrative support;
- Strategy and Partnerships which cover the cost of the communications team, including website support, partnership delivery and evidence and performance work to support the Authority's management plan;
- Planning which covers development management, including major planning applications and the management of the service delegation to other local planning authorities. The service also includes planning policy, including historic buildings, support for the local development framework and minerals and waste;
- Operations which cover the activities of the rangers across the Park plus the rights of way officers and the support of volunteers;
- Governance which covers Members allowances and expenses and administrative support;
- Corporate Services which cover the support services including human resources, premises, IT, procurement, finance and audit;
- Corporate Items which include the Sustainable Development Fund and Community Grants which are administered by the SDNPA to support local community projects that have a positive impact on future generations and take full consideration of social, economic and environmental concerns.

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

Service Income and Expenditure Analysis										
2011/12	Chief Executive's Services £'000	Strategy and Partnership £'000	Planning £'000	Operations £'000	Governance £'000	Corporate Services £'000	Corporate Items £'000	Total £'000	National Park Grant £'000	Total £'000
Employee expenses	62	833	734	822	182	462	22	3,117	0	3,117
Other service expenses	145	1,077	4,665	393	77	1,527	224	8,108	0	8,108
Total Expenditure	207	1,910	5,399	1,215	259	1,989	246	11,225	0	11,225
Fees, charges and other service income	0	(221)	(777)	(46)	0	(82)	0	(1,126)	0	(1,126)
Government grants	0	0	0	(86)	0	0	0	(86)	(11,373)	(11,459)
Total Income	0	(221)	(777)	(132)	0	(82)	0	(1,212)	(11,373)	(12,585)
Net Expenditure	207	1,689	4,622	1,083	259	1,907	246	10,013	(11,373)	(1,360)

Service Income and Expenditure Analysis										
2010/11 Comparative Figures	Chief Executive's Services £'000	Strategy and Partnership £'000	Planning £'000	Operations £'000	Governance £'000	Corporate Services £'000	Corporate Items £'000	Total £'000	National Park Grant £'000	Total £'000
Employee expenses	28	166	10	11	122	211	0	548	0	548
Other service expenses	300	380	131	507	107	1,402	0	2,827	0	2,827
Total Expenditure	328	546	141	518	229	1,613	0	3,375	0	3,375
Fees, charges and other service income	0	(32)	(29)	0	(1)	(34)	0	(96)	0	(96)
Government grants	0	0	0	0	0	0	0	0	(7,290)	(7,290)
Total Income	0	(32)	(29)	0	(1)	(34)	0	(96)	(7,290)	(7,386)
Net Expenditure	328	514	112	518	228	1,579	0	3,279	(7,290)	(4,011)

Further explanations of the terminology included in the above tables are 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:
 - Premises expenses which include all running costs, expenditure on goods, services and contractors directly related to property and land;
 - Transport expenses which include all costs connected with the provision, hire or use of transport;
 - Supplies and services which include all direct supplies and services expenditure incurred;
 - Third party payments which include payments to third party providers of local authority services (e.g. payments to other Local Authorities and other bodies);
 - Support service charges which include the recharge of management and administration costs and support service costs (e.g. financial services, human resources, legal services, property services) to front line services and internal recharges between services.
- Fees, charges and other service income includes contributions received from other local authorities and other bodies;
- Government grants covers all grants received from central government.

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	2011/12 £'000
Net expenditure in the service analysis	(4,011)	(1,360)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the service analysis	0	38
Amounts included in the service analysis which fall outside the cost of services in the Comprehensive Income and Expenditure Statement	7,324	11,455
Cost of Services in the Comprehensive Income and Expenditure Statement	3,313	10,133

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							
2011/12	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	3,117	0	0	0	3,117	(14)	3,103
Other service expenses	8,108	0	0	0	8,108	0	8,108
Support service and management and administration recharges	0	0	2,910	(2,910)	0	0	0
Depreciation of non current assets	0	0	38	0	38	0	38
Interest payments	0	0	0	0	0	0	0
Total Expenditure	11,225	0	2,948	(2,910)	11,263	(14)	11,249
Fees, charges and other service income	(1,044)	0	0	0	(1,044)	0	(1,044)
Support service and management and administration recharges	0	0	(2,910)	2,910	0	0	0
Interest and investment income	(82)	82	0	0	0	(82)	(82)
Government grants	(11,459)	11,373	0	0	(86)	(11,373)	(11,459)
Total Income	(12,585)	11,455	(2,910)	2,910	(1,130)	(11,455)	(12,585)
Surplus / Deficit on the Provision of Services	(1,360)	11,455	38	0	10,133	(11,469)	(1,336)

Reconciliation to Subjective Analysis							
2010/11 Comparative Figures	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	548	0	0	0	548	(1)	547
Other service expenses	2,827	0	4,005	(4,005)	2,827	0	2,827
Support service and management and administration recharges	0	0	0	0	0	0	0
Depreciation of non current assets	0	0	0	0	0	0	0
Interest payments	0	0	0	0	0	0	0
Total Expenditure	3,375	0	4,005	(4,005)	3,375	(1)	3,374
Fees, charges and other service income	(62)	0	0	0	(62)	0	(62)
Support service and management and administration recharges	0	0	(4,005)	4,005	0	0	0
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	(4,011)	7,324	0	0	3,313	(8,575)	(5,262)

23 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:

Categories of Financial Instruments				
	Long Term		Current	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	0	0	5,677	8,050
Total Investments	0	0	5,677	8,050
Debtors				
Loans and receivables	0	0	0	0
Financial assets carried at contract amounts	0	0	295	1,084
Total Debtors	0	0	295	1,084
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Total Borrowings	0	0	0	0
Creditors				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amounts	0	0	(912)	(2,771)
Total Creditors	0	0	(912)	(2,771)

The above table includes an investment with Lloyds Bank of £2.500m (£2.500m 2010/11), accrued interest of £0.035m (£0.006m in 2010/11) and cash at bank of £5.515m (£3.171m 2010/11).

Income, Expense, Gains and Losses

The gains and losses in respect of financial instruments that are recognised in the Comprehensive Income and Expenditure Statement are detailed in the following tables:

Gains and Losses in respect of Financial Instruments				
2011/12	Financial Liabilities	Financial Assets		Totals
	Measured at Amortised Cost £'000	Loans and Receivables £'000	Available for Sale Assets £'000	£'000
Interest expense	0	0	0	0
Fee expense	0	0	0	0
Total expense in Surplus /Deficit on the Provision of Services	0	0	0	0
Interest income	0	(82)	0	(82)
Fee Income	0	0	0	0
Total income in Surplus /Deficit on the Provision of Services	0	(82)	0	(82)
Net (Gain) / Loss for the year	0	(82)	0	(82)

Gains and Losses in respect of Financial Instruments				
2010/11 Comparative Figures	Financial Liabilities	Financial Assets		Totals
	Measured at Amortised Cost £'000	Loans and Receivables £'000	Available for Sale Assets £'000	£'000
Interest expense	0	0	0	0
Fee expense	0	0	0	0
Total expense in Surplus /Deficit on the Provision of Services	0	0	0	0
Interest income	0	(34)	0	(34)
Fee Income	0	0	0	0
Total income in Surplus /Deficit on the Provision of Services	0	(34)	0	(34)
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.

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;
- 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

Financial Liabilities				
	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing	0	0	0	0
Total Borrowing	0	0	0	0
Creditors	(912)	(912)	(2,771)	(2,771)
Total Financial Liabilities	(912)	(912)	(2,771)	(2,771)

The Authority has not raised any borrowing in the year, consequently there is no borrowing outstanding as at 31 March 2012.

Financial Assets

Financial Assets				
	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	2,506	2,506	2,535	2,535
Cash at Bank	3,171	3,171	5,515	5,515
Debtors	295	295	1,084	1,084
Total Loans and Receivables	5,972	5,972	9,134	9,134

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 31st March 2012; 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;
- 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;
- 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 (TMS), 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 29 March 2011. 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 2011/12;
- 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;
- 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, is based on carrying amounts (i.e. it includes accrued interest):

Exposure to Credit Risk				
	Amount at 31 March 2012	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2012	Estimated Maximum Exposure to Default £'000
	£'000			
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	0	0.00%	0.00%	0
AA rated counterparties	0	0.00%	0.00%	0
A rated counterparties	2,500	0.08%	0.08%	2
Debtors	786	0.00%	0.00%	0
Total	3,286			2

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 continue to raise 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 on behalf of the Authority. 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:

Maturity Analysis of Financial Assets		
	31 March 2011 £'000	31 March 2012 £'000
Less than 1 year	2,500	2,500
More than 1 year	0	0
Total	2,500	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;
- 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 General Fund 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's treasury management team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

At 31 March 2012 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 no exposure to loss arising from movements in exchange rates.

24 Debtors

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

Short Term Debtors		
	31 March 2011	31 March 2012
	£'000	£'000
Central Government Bodies	0	262
Other Local Authorities	36	316
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	259	506
Total Short Term Debtors	295	1,084

Please note the comparative figure for other entities and individuals has been restated to treat the acquisition transactions in relation to Capron House as a payment in advance rather than capitalising as a non current asset.

25 Creditors

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

Short Term Creditors		
	31 March 2011	31 March 2012
	£'000	£'000
Central Government Bodies	(43)	(164)
Other Local Authorities	(354)	(1,762)
Public Corporations and Trading Funds	(23)	0
Other Entities and Individuals	(492)	(845)
Total Short Term Creditors	(912)	(2,771)

26 External Audit Costs

In 2011/12 the Authority incurred the following costs in relation to the audit of the Statement of Accounts provided by the Authority's external auditors:

External Audit Costs		
	2010/11	2011/12
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	30	19
Total	30	19

27 Inventories

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

Analysis of Movement in Inventories							
	Balance at 1 April 2010	Purchases	Recognised as an Expense in Year	Balance at 31 March 2011	Purchases	Recognised as an Expense in Year	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Inventories Held for Sale or Distribution in the Ordinary Course of Operations	0	28	(12)	16	27	(22)	21
Totals	0	28	(12)	16	27	(22)	21

28 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	2011/12
	£	£
Recruitment Advertising	88,186	111,692
Public Relations	11,082	167,872
Other Publicity and Marketing	83,605	62,513
Total	182,873	342,077

The cost of publicity has increased by £0.159m; this is due to the appointment of the Authority's Head of Communications post being delayed until January 2011 which led to a slippage in the commencement of publicity related projects in 2010/11. The increase in staff advertising is due to the recruitment of the permanent senior officers including the Chief Executive and others members of the senior management team in 2011/12.



Accounting Policies

2011/12

Accounting Policies

A. General

The Statement of Accounts summarises the Authority's transactions for the reported financial year, and its position at the year end of the reporting period. 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 (the Code) and the Service Reporting Code of Practice (SeRCOP) 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 Policies, 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 more 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 estimate 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.
Financial Instruments	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. For financial instruments, fair value is the transaction price (i.e. the consideration) unless the transaction was not at arms length. If the transaction is not based on market terms, a valuation technique is used to determine the appropriate fair value for initial recognition of the instrument.

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 SeRCOP.

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 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;
- 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;
- 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;

- 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. Charges to Revenue for Non Current Assets

Services and support services are debited with a depreciation charge to record the cost of holding non current assets which the service has used during the year:

The Authority is not required to charge the General Fund balance with depreciation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation is therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

E. 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). VAT receivable is excluded from income.

The amounts included within the Comprehensive Income and Expenditure Statement exclude VAT that must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HMRC. VAT is included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

The authority is able to recover VAT from HMRC, providing the partial exemption de-minimis is not breached. The authority monitors the VAT partial exemption calculation on a regular basis, a financial model is retained and updated with key proposals of expenditure or increases in exempt income to assess potential partial exemption impact. If necessary appropriate measures are then taken to ensure the authority remains below the de-minimis level.

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

F. 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.

G. 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;
- 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.

H. 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.

I. 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.

J. 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;
- 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.

K. 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.

L. 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;
 - 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 be 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 / 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 whose effect relates to years of service earned in earlier years – charged to Non Distributed Costs within the Cost of Services;
- 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 than 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 retirements. 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.

M. 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 (i.e. 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.

N. Provisions

The Authority accounts for provisions 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.

The Authority recognises a provision where an event has taken place that gives the Authority a present obligation (legal or constructive) that requires settlement by either a transfer of economic benefits or service potential to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

In cases where it is not clear whether there is a present obligation, the Authority deems that a past event gives rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date.

The amount recognised as a provision by the Authority is the best estimate of the present value of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that surround many events and circumstances are taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation are also reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Where the effect of the time value of money is material, the Authority sets the amount of a provision at the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within the Surplus / Deficit on the Provision of services within the Comprehensive Income and Expenditure Statement.

Where the Authority has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. The Authority also recognises provisions for restructuring costs where they meet the recognition criteria. However, provisions are not recognised for future operating losses.

In the case where no reliable estimate can be made, a liability exists that cannot be recognised, that liability is disclosed as a contingent liability by the Authority. (See accounting policy on contingent liabilities).

Provisions are charged as an expense to the appropriate service line in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely that a transfer of economic benefits will not be required or a higher or lower settlement will be made, the provision is reversed or adjusted respectively in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

For each class of provision, the Authority discloses a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential, an indication of the uncertainties about the amount or timing of those outflows, and the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

O. 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 / 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.

P. 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:

- 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;
- 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.

Q. 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 Service Reporting Code of Practice (SeRCOP). 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;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP 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.

R. 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.

The Authority currently holds only vehicles, furniture, plant and equipment and assets under construction as non current assets on its Balance Sheet. As vehicles, furniture, plant and equipment is held at historic cost and assets under construction is also held at historic cost and revaluation only takes place when the asset becomes operational, no revaluation of assets has taken place. Therefore, no accounting policy has been disclosed for:

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

The Authority has not disposed of any assets since it became fully operational therefore,, no accounting policy has been disclosed for 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).

S. 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;
- 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).

T. 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:

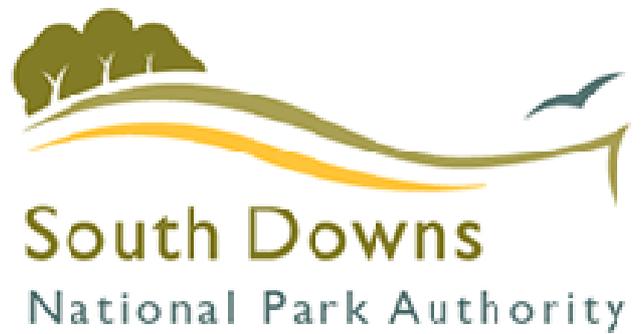
- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, 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.



Independent Auditor's Report

2011/12

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

Opinion on the Authority financial statements

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Other matters on which I am required to conclude

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

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

- my review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on my responsibilities [include if relevant]; and
- my locally determined risk-based work to consider the financial controls the Authority has developed to gain assurance over the income and expenditure arising from determination of small scale planning applications by the Authority's 15 local planning authority partners.

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

Certificate

I certify that I have completed the audit of the accounts of 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
Ground floor
Bicentennial Building
Southern Gate
Chichester
West Sussex
PO19 8EZ

17 September 2012



Glossary of Terms

2011/12

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.

Amortised Cost of a Financial Asset or Financial Liability

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method (i.e. a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period) of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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 flow to the Authority.

Audit of Financial Statements

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

Available for Sale Financial Asset

An available for sale financial assets is a non derivative financial asset that is not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

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, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees but payable 12 months or more after the end of the reporting period, such as long-service leave or jubilee payments 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 fixed 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 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 on 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, rather than the amount to be funded from taxation.

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.

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. Chief Executive, external audit, corporate level financing and treasury management).

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.

Curtailement

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.

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.

Effective Interest Rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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).

Exceptional Items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Exchange Transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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.

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 Asset or Financial Liability at Fair Value through Profit or Loss

A financial asset or financial liability at fair value through profit or loss is one that meets the following conditions. It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- on initial recognition part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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
- Financial guarantees

Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Other receivables and advances
- Investments
- Derivatives
- Swaps
- Forwards
- Options
- Embedded derivatives
- Debt instruments with embedded swaps
- Debt instruments with embedded options.

Financial Reporting Standards (FRS)

Financial reporting standards advise the accounting treatment and disclosure requirements of transactions so that the Authority's accounts present a true and fair view of the Authority's financial position.

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.

Financing Costs Reserve

The financing costs reserve is used to meet future projected investment income losses.

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 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Impairment Loss

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

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.

Insurance Reserve

The insurance reserve is used to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. In addition, the Authority carries a substantial amount of self insurance financed from this reserve. An element of the reserve is used to fund training on risk management to support delivery of the risk management strategy and to fund measures to address operational hazards/risks identified.

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.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

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 into 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.

Net Worth

The total funds, balances and reserves (both usable and unusable reserves) held by the Authority.

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.

Non Exchange Transactions

Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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 or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus; actuarial gains and losses on defined benefit plans; and gains and losses on re-measuring available-for-sale financial assets.

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. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund balance reflects the amount required to be raised in taxation. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet.

Post Employment Benefits

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

Prior Period Errors

Prior period errors are omissions from, and misstatements in, the Authority's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue, and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

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.

Qualified Valuer

A qualified valuer is a person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local, national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

Recoverable Amount (in respect of assets)

The recoverable amount is the higher of fair value less costs to sell (i.e. not selling price) and its value in use.

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 its liabilities.

Residual Value

The residual value is the estimated amount that the Authority would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

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
- bonuses and similar payments
- 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.

Temporary Borrowing

Temporary borrowing is a sum of money borrowed for a period of less than one year.

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 or 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 or reduce local taxation.

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
Statement of Accounts 2011-2012***

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

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

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