South Downs
National Park Authority

STATEMENT OF ACCOUNTS

2012/2013

Contents

Introduction and Explanatory Foreword

Introduction

The South Downs National Park ("the 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; however, 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 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 ("the 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 Authority 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 Authority 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 Park.

The 2012/13 Statement of Accounts represent the second operational year of the Authority and demonstrates the overall financial position of the Authority at the end of the 2012/13 financial year.

Explanatory Foreword

The financial statements are presented on an International Financial Reporting Standards (IFRS) basis and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2012 to 31 March 2013 ("the reporting period").

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 for assessing the stewardship and accountability of the Authority's elected members and management of the resources entrusted to them and for making and evaluating economic decisions about the allocation of those resources.

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 47 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 are 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.

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.

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 are those that the Authority is not able to use to provide services (i.e. unusable reserves). This category of reserves includes 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.

Financial Statements: Accounting Concepts, Principles and Policies

The Authority prepares its financial statements, except for its cash flow information, using the accruals basis of accounting (i.e. the Authority recognises assets, liabilities, income and expenditure when they satisfy the definitions and recognition criteria of the Code). The financial statements are also prepared on a going concern basis (i.e. on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future).

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

The Authority has used the following underlying qualitative characteristics in producing its financial statements to ensure that the financial information included therein is as useful to the reader of the accounts as is possible:

- Relevance – the Authority has made judgements regarding the inclusion or exclusion of financial information within its financial statements on the basis of their individual nature and materiality (i.e. whether its omission or misstatement could influence decisions that users make on the basis of financial information included);
- Faithful Representation – the Authority aims to ensure that the financial information included within its financial statements is complete within the boundaries of materiality (i.e. all information necessary for the user of the accounts to understand the financial position, performance and cash flows), free from material error (i.e. no errors or omissions neither in the information reported nor in the process used to produce the reported information), and free from bias (i.e. it is neutral and not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to be received favourably or unfavourably by the user of the accounts);
- Comparability – the Authority has prepared its financial statements in accordance with the requirements of the Code and SeRCOP; this allows the reader of its accounts to compare the financial position and financial performance of the Authority between financial years and also with other national park authorities;
- Verifiability – to help assure users of the accounts that the financial information contained therein faithfully represents the financial position, performance and cash flows of the Authority, it includes explanations and disclosures of the judgements, assumptions, methodology and other factors and circumstances in preparing its financial statements;
- Timeliness – the Authority gives consideration to the financial information it includes within its financial statements based on age and timeliness. The Code specifies the requirements regarding reporting periods covering the current reporting period and the comparative financial information;
- Understandability – the Authority aims to ensure that the financial information included within the financial statements is presented clearly and concisely. Although the financial statements are complex due to the requirement to comply with IFRS, every effort has been made to provide notes and commentaries that explain and interpret the key elements of the accounts for the reader.

Financial Performance and Segmental Reporting

The Authority reports its financial performance across five service areas – Chief Executive's Services, Strategy and Partnerships, Planning, Operations and Corporate Services. These service areas are classed as "operating segments" of the Authority.

The aim of reporting financial performance at 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.

2012/13 Financial Position

The Authority set a revised revenue budget of £10.124m for 2012/13, which was funded from National Park Grant of £10.981m giving rise to a net revenue budget surplus of £0.857m.

The Authority received gross revenue income of £12.628m in 2012/13, which included the National Park Grant of £10.981m received from the government. The Authority incurred gross revenue expenditure of £11.675m in the same period. The net revenue expenditure was £0.953m, a positive variation of £0.096m after carry forwards of £0.943m, when compared to the net budget of £0.857m.

The carry forwards of £0.943m are to allow projects and commitments already agreed to be completed without any financial impact on the 2013/14 Budget. The carry forwards include costs for the implementation of various IT systems, revenue costs associated with the South Downs Centre, examination and strategy costs for Planning and a number of studies, audits and assessments. It is unlikely that carry forwards will occur at this level in future years.

The following table shows a breakdown of the income and expenditure against budget after the carry forwards have been actioned:

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure:			
Employees	4,378	4,073	(305)
Premises	319	244	(75)
Transport	137	160	23
Supplies and Services	2,820	3,167	347
Third Party Payments	4,032	3,998	(34)
Capital Financing Costs	33	33	0
Total Expenditure	**11,719**	**11,675**	**(44)**
Income:			
Other Grants, Contributions and Customer and Client Receipts	(734)	(670)	64
Planning Fees Income	(836)	(903)	(67)
Investment Interest	(25)	(74)	(49)
Total Income	**(1,595)**	**(1,647)**	**(52)**
Net Expenditure excluding National Park Grant	**10,124**	**10,028**	**(96)**
National Park Grant	(10,981)	(10,981)	0
Net Expenditure / (Income)	**(857)**	**(953)**	**(96)**

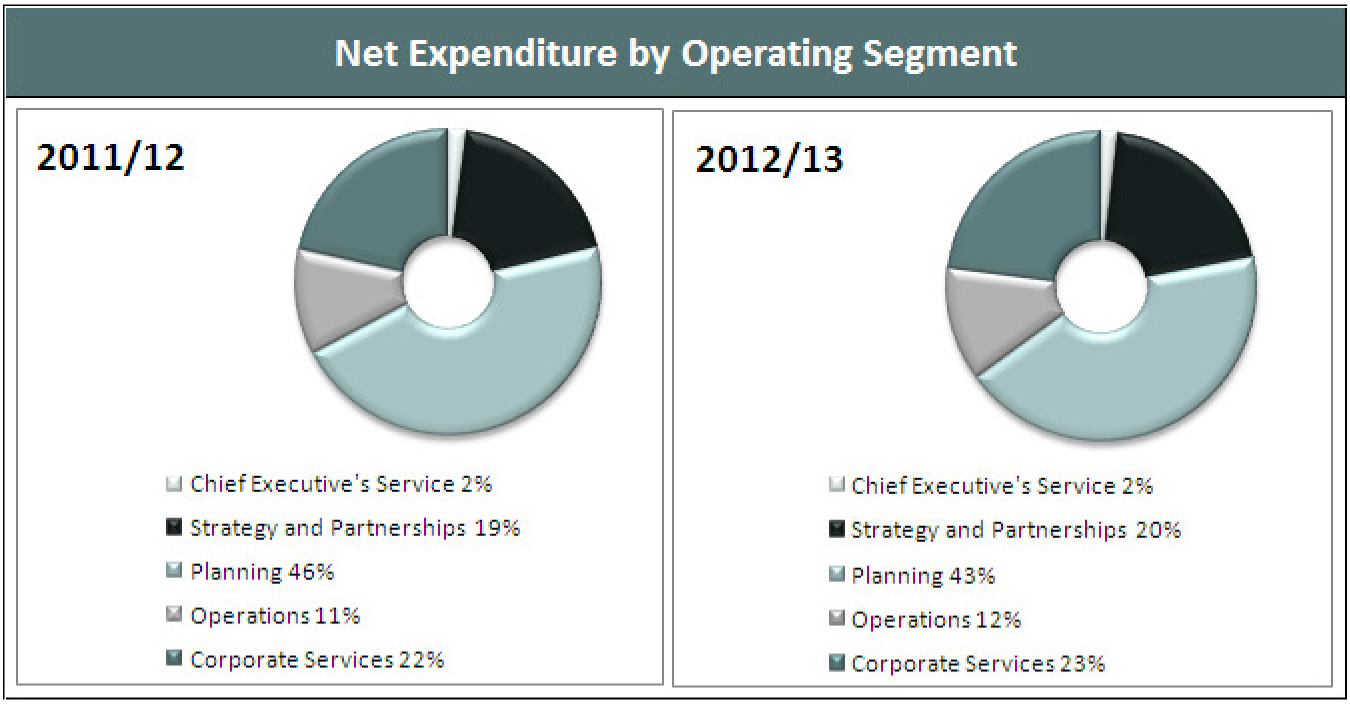
Note: Figures in brackets denote underspendings or income received in excess of that budgeted.

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

Spending on Services by Operating Segment			
Segments	**Revised Budget £'000**	**Actual £'000**	**Variance £'000**
Chief Executive's Services	193	184	(9)
Strategy and Partnerships	1,975	2,021	46
Planning	4,111	4,305	194
Operations	1,162	1,208	46
Corporate Services	2,683	2,310	(373)
Total	**10,124**	**10,028**	**(96)**

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

The following chart shows the net expenditure of £10.028m (excluding the revenue grant of £10.981m) by operating segment in percentage terms:

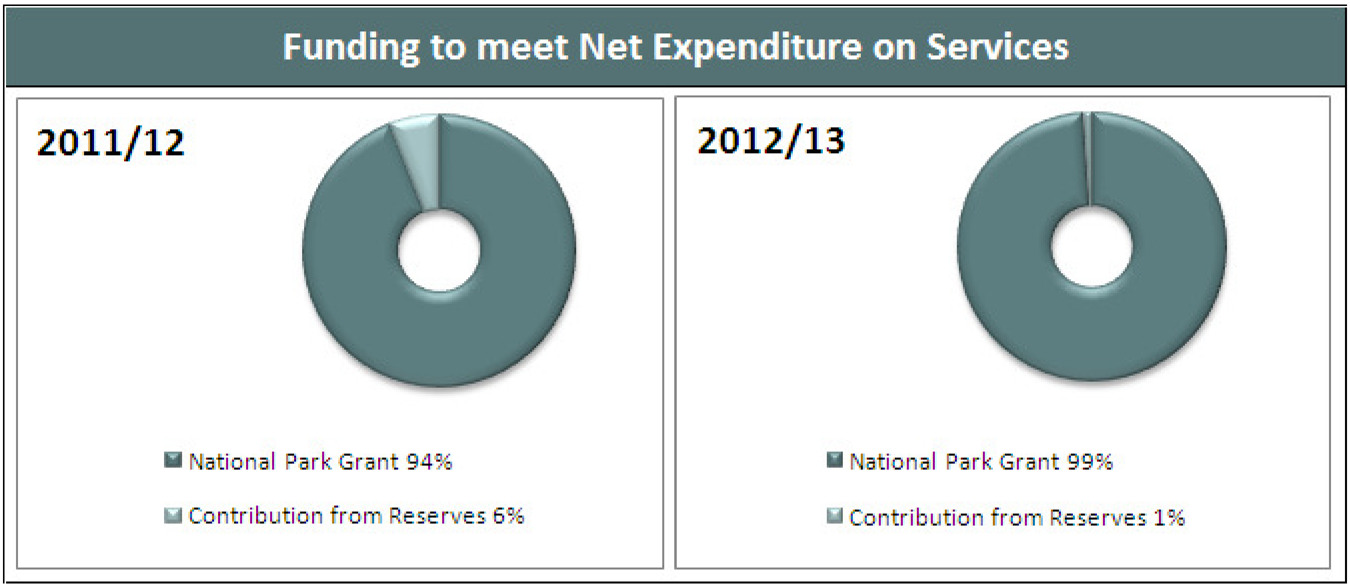


Please note the 2011/12 comparatives in the above chart have been updated to reflect the new grouping of services under operating segments applied in the reporting period.

The financial performance in 2012/13 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 underspend variance of £0.096m are reported to the Authority's Resources and Performance Committee in June 2013; the report can be found on the Authority's website.

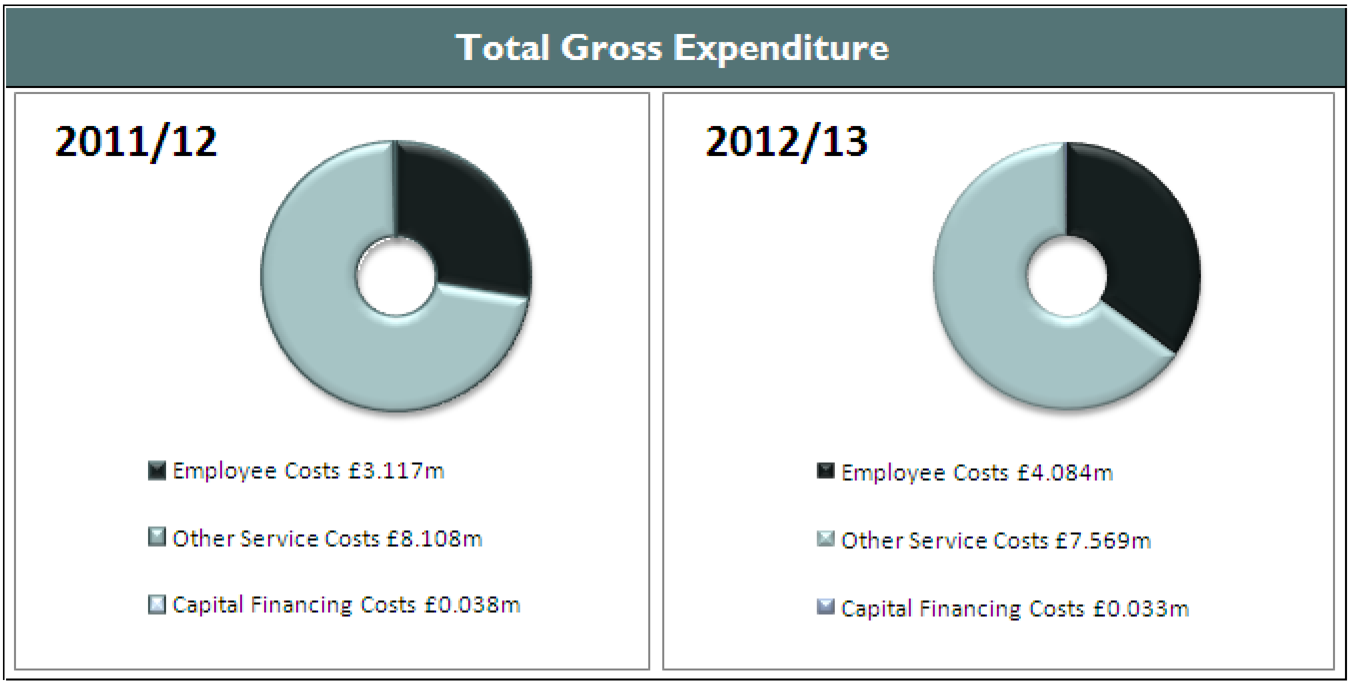
Revenue Summary 2012/13

The Authority's net revenue budget after income, for 2012/13 was set at £10.124m. The following chart shows the sources of funding which were used to meet the net spending on services:



Analysis of Expenditure

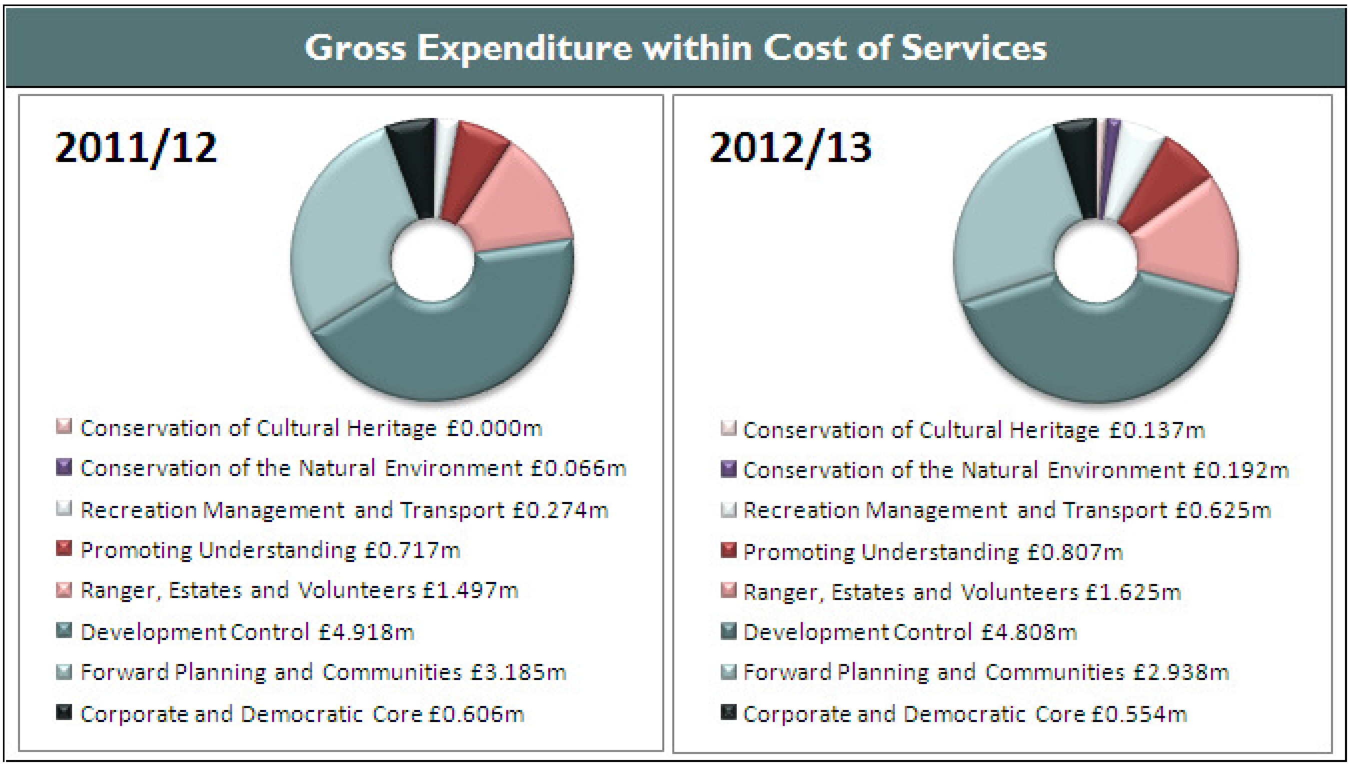
The gross revenue expenditure in 2012/13 for services was £11.686m as included within the cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows the total gross expenditure incurred by the Authority analysed by the main expenditure headings:



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

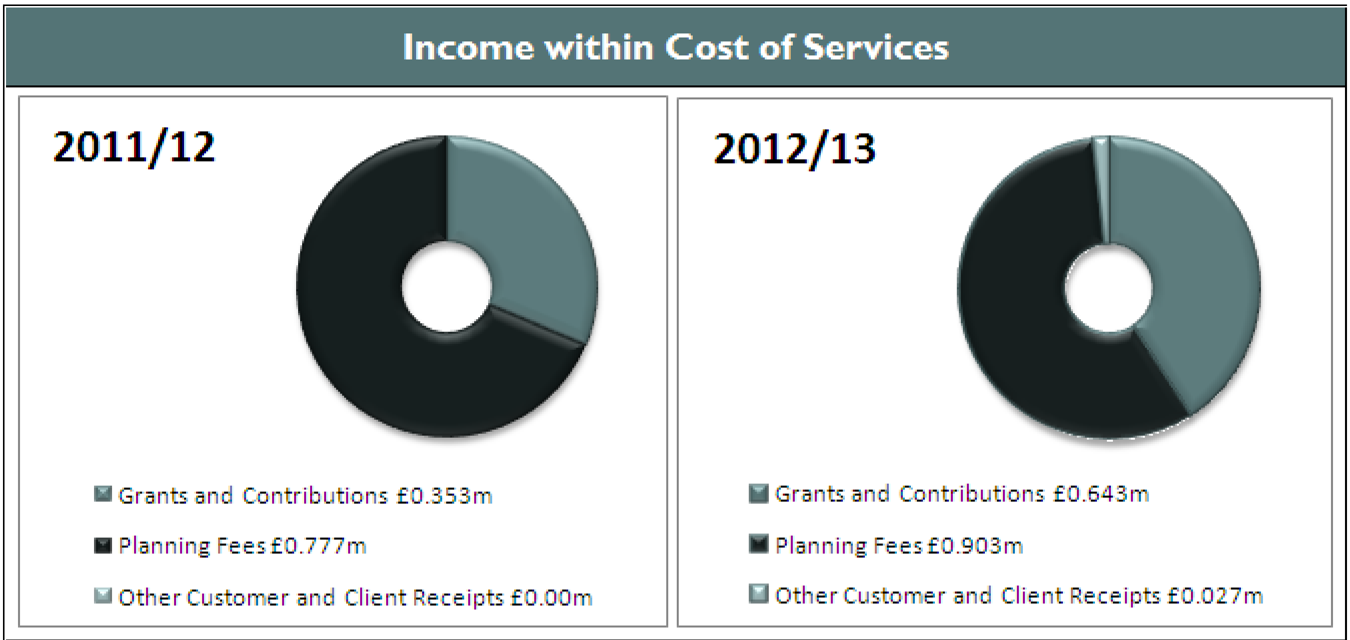
- Employee costs include total salaries, employers' national insurance contributions, employers' pension contributions, indirect employee expenses including the pension accounting adjustments and members' allowances;
- Other Service Costs include:
    - Premises costs which include all running costs, 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.

The following chart shows the gross revenue expenditure of £11.686m incurred by the Authority analysed across SeRCOP headings:



Analysis of Income

The gross revenue income in 2012/13 for services was £1.573m, as included in the cost of services in the Comprehensive Income and Expenditure Statement. The following chart shows the sources of the income:



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 manage risk effectively 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 £0.096m in 2012/13 is included in the Authority's General Fund balance which stands at £0.669m. The following table shows the General Fund position:

General Fund Balance	Total £'000
Balance at 1 April 2012	**(1,713)**
Contribution to balances	(121)
Transfer to Carry Forwards earmarked reserve	943
Net transfer to other earmarked reserves	222
Balance at 31 March 2013	**(669)**
Recommended General Fund Balance	**(650)**

The Authority also holds earmarked reserves of £5.364m as at 31 March 2013. Note 7 provides information on the specific earmarked reserves held by the Authority.

The carry forwards of £0.943m, transferred from the General Fund Balance, are to allow projects and commitments already agreed to be completed without any financial impact on the 2013/14 Budget and were reported to the Authority's Resources and Performance Committee in June 2013; the report can be found on the Authority's website.

Capital Summary

A capital programme totalling £2.185m was approved in March 2012 which consisted of the purchase and refurbishment of the Authority's main offices, Capron House and the purchase and installation of Western Area Barn.

The total capital expenditure on these assets was £1.069m compared with the approved budget of £2.185m. The variance of £1.116m relates to the slippage of the South Downs Centre capital project. The slippage resulted from a delay in the purchase of Capron House and then subsequently, from the need to undertake a full options appraisal of the project. The underspend of £1.116m will be carried forward into 2013/14 to meet the costs on this capital project in the next reporting period.

The following table details how the capital outturn of £1.069m was funded:

Funding of Capital Programme	Total £'000
Capital Outturn	1,069
Total Funding Requirement	**1,069**
Funding:	
General and Specific Reserves	(12)
Capital Grants	(1,057)
Total Funding	**(1,069)**

Non Current Assets

The value of the Authority's non current assets has increased in the reporting period by £1.035m, from £0.171m in 2011/12 to £1.206m in 2012/13.

The Authority has incurred capital expenditure on non current assets of £1.069m in the reporting period in respect of the completion of the purchase of Capron House, initial refurbishment works and professional fees including surveyors and architects.

Non current assets have been depreciated by £0.034m in the reporting period.

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

The Authority entered into three new leases as lessee in respect of leased vehicles in the reporting period. As these are operating leases, there are no implications on non current assets. 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 pension actuary, Hyman Robertson has increased from £0.054m at 31 March 2012 to £0.478m at 31 March 2013, an increase of £0.424m.

The overall deficit on the pension fund of £0.478m represents the difference between the value of the Authority's pension fund assets as at 31 March 2013 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 £1.219m as at 31 March 2012 to £2.614m as at 31 March 2013, an increase of £1.395m. The value of the future pension payments liability has increased from £1.273m as at 31 March 2012 to £3.092m as at 31 March 2013, an increase of £1.819m.

The liabilities reflect 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.

In relation to the increases in the pension fund assets and liabilities, the pension actuary has advised that:

- In respect of pension scheme liabilities, financial assumptions at 31 March 2013 are less favourable than they were at 31 March 2012. Specifically the discount rate used in the actuarial calculations has decreased during the year resulting in a negative impact on the position. Pension Scheme benefits are linked to price inflation and salary inflation therefore within the actuary's calculations, the real discount rate (i.e. net of price inflation) is compared from year to year when assessing the effect of changes in financial assumptions. The discount rate is set by reference to long term yields. The pension actuary has changed the methodology for calculating the discount rate using longer maturity yields available on bonds which had the effect of reducing the discount rate from 4.8% to 4.5%. A lower real discount rate leads to a higher value being placed on the liabilities.

- In respect of pension scheme assets, investment performance during the previous twelve months has been better than expected resulting in a positive impact on the position. This positive impact on the assets has been outweighed by the negative impact on the liability leading to the net increase in the Authority's pension liability.

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 2013, the Authority had a cash balance of £7.169m of which £4.505m was invested externally and £2.664m held under the management agreement with Brighton & Hove City Council.

The Authority's Annual Investment Strategy (AIS) for 2012/13 was approved by the Authority in March 2012.

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;
- 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 reduced in year by £0.881m. The following table shows the level of investments made as at the Balance Sheet date:

Level of Investments		
	31 March 2012 £'000	31 March 2013 £'000
Bank current accounts	5,515	2,664
Short term deposits	2,535	4,505
Total investments	**8,050**	**7,169**
(Increase)/Decrease year on year	**(2,373)**	**881**

During the reporting period, the Authority has placed new short term deposits of £4.503m with the Royal Bank of Scotland and has realised cash from the maturity of the short term deposit of £2.500m with Lloyds Bank made in 2011/12. 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 Statement of 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 CIPFA[1] Code of Practice on Local Authority Accounting in the United Kingdom. The Chief Finance Officer is required to sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

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 2013 and its income and expenditure for the year ended 31 March 2013.

Catherine Vaughan CPFA
Chief Finance Officer (Section 151 Officer)
24 September 2013

[1] Chartered Institute of Public Finance and Accountancy

Certification by Chair

I confirm that these accounts were approved by the Standards and Audit Committee at a meeting held on 24 September 2013.

Signed on behalf of the South Downs National Park Authority

Norman Dingemans

Chair
Standards and Audit Committee

Date 24 September 2013

South Downs
National Park Authority

Core Financial Statements

2012/13

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 are undertaken by the Authority.

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)**

Movement in Reserves during 2012/13	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 2012		**(1,713)**	**(3,421)**	**(1,250)**	**(6,384)**	**(56)**	**(6,440)**
(Surplus) / Deficit on the Provision of Services		(953)	0	0	**(953)**	0	**(953)**
Other Comprehensive Income and Expenditure		0	0	0	**0**	496	**496**
Total Comprehensive Income and Expenditure		**(953)**	**0**	**0**	**(953)**	**496**	**(457)**
Adjustments between Accounting Basis and Funding Basis under Regulations	**6**	42	0	1,057	**1,099**	(1,099)	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**(911)**	**0**	**1,057**	**146**	**(603)**	**(457)**
Transfers (to) / from Earmarked Reserves	**7**	1,955	(1,943)	0	**12**	(12)	**0**
(Increase) / Decrease in Year		**1,044**	**(1,943)**	**1,057**	**158**	**(615)**	**(457)**
Balance at 31 March 2013		**(669)**	**(5,364)**	**(193)**	**(6,226)**	**(671)**	**(6,897)**

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 2012					Year Ended 31 March 2013		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
				Continuing Services			
0	0	0		Conservation of Cultural Heritage	137	0	137
66	(33)	33		Conservation of the Natural Environment	192	(33)	159
274	(99)	175		Recreation Management and Transport	625	(122)	503
717	(2)	715		Promoting Understanding	807	0	807
1,497	0	1,497		Ranger, Estates and Volunteers	1,625	(37)	1,588
4,918	(777)	4,141		Development Control	4,808	(975)	3,833
3,185	(219)	2,966		Forward Planning and Communities	2,938	(406)	2,532
606	0	606		Corporate and Democratic Core	554	0	554
11,263	**(1,130)**	**10,133**		**Cost of Services**	**11,686**	**(1,573)**	**10,113**
(14)	(82)	(96)	8	Financing and Investment Income and Expenditure	(11)	(74)	(85)
0	(11,373)	(11,373)	9,10	Non Specific Grant Income	0	(10,981)	(10,981)
11,249	**(12,585)**	**(1,336)**		**(Surplus) / Deficit on the Provision of Services**	**11,675**	**(12,628)**	**(953)**
		159	20	Actuarial (Gains) / Losses on Pension Assets and Liabilities			496
		159		**Other Comprehensive Income and Expenditure**			**496**
		(1,177)		**Total Comprehensive Income and Expenditure**			**(457)**

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 timing differences shown in the Movement in Reserves Statement under Adjustments between Accounting Basis and Funding Basis under Regulations.

As at 31 March 2012 £'000	Note		As at 31 March 2013 £'000
171	11	Property, Plant and Equipment	1,206
171		**Long Term Assets**	**1,206**
21	27	Inventories	18
1,084	23,24	Short Term Debtors	1,203
8,050	21,23	Cash and Cash Equivalents	7,169
9,155		**Current Assets**	**8,390**
(2,771)	23,25	Short Term Creditors	(2,164)
(61)	14	Provisions	(57)
(2,832)		**Current Liabilities**	**(2,221)**
(54)	20	Other Long Term Liabilities	(478)
(54)		**Long Term Liabilities**	**(478)**
6,440		**Net Assets**	**6,897**
(6,384)	15	Usable Reserves	(6,226)
(56)	16	Unusable Reserves	(671)
(6,440)		**Total Reserves**	**(6,897)**

The unaudited accounts were issued on 10 June 2013 and the audited accounts were authorised for issue on 24 September 2013

Catherine Vaughan CPFA

Chief Finance Officer (Section 151 Officer)
24 September 2013

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.

2011/12 £'000	Note		2012/13 £'000
1,336		Net surplus / (deficit) on the provision of services	953
1,056		Adjustment to surplus / (deficit) on the provision of services for non cash movements	(840)
2,392	**21**	**Net Cash Flows from Operating Activities**	**113**
(19)	**21**	Net cash flows from investing activities	(994)
2,373		**Net Increase / (Decrease) in Cash and Cash Equivalents**	**(881)**
5,677	**21**	**Cash and Cash Equivalents as at 1 April**	**8,050**
8,050	**21**	**Cash and Cash Equivalents as at 31 March**	**7,169**

Notes to the Core Financial Statements

1 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 included a summary of its accounting polices in a separate section of the accounts which can be found on pages 48 to 64.

There have been no changes to existing accounting polices in the reporting period; however, a policy in respect of Financial Instruments has been included to reflect the accounting treatment of financial assets and liabilities. See accounting policy N. Financial Assets and Liabilities – Financial Instruments on page 58.

2 Accounting Standards that have been Issued but not yet Adopted

The Code has adopted the 2011 amendments to IAS 19 *Employee Benefits* and IAS 1 *Presentation of Financial Statements* which will need to be adopted fully by the Authority in 2013/14. This is a change in accounting policy as at 1 April 2013 that will require disclosure and the publication of a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) in the 2013/14 financial statements.

In respect of the amendments to IAS 19, the change will introduce new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the net defined benefit liability / asset and re-measurements of the net defined benefit liability / asset) together with new definitions of recognition criteria for service costs and termination benefits. The Authority's pension actuaries have advised that the effect of the change to IAS 19 on the Comprehensive Income and Expenditure Statement to 31 March 2013 will be an increase of £0.018m.

In respect of the amendments to IAS 1, the change will require new groupings of the sections under Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement into re-classifiable and non-re-classifiable groupings. This is a presentational issue only and will not impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.

3 Critical Judgements and Assumptions Made

In preparing the financial statements, 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.

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 lease arrangements in respect of property and vehicles. 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 24 September 2013. 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 2013, 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 have arrangements with other 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 £0.263m 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 £0.081m for the amount due to HMRC at the end of the reporting period.

Planning Service

There are 15 local authorities whose boundaries fall within the Park. During 2012/13, 11 of these local authorities provided the majority of the planning service on behalf of the Authority under legal agreement signed between each local authority and the Park. The remaining four local authorities opted out of this arrangement and applications within these boundaries were dealt with by the Authority. The net payment to these 11 local authorities in 2012/13 amounted to £2.222m which included £0.945m income received in relation to application fees.

6 Adjustments between Accounting Basis and Funding Basis under Regulations

This disclosure 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.

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			
2012/13	**General Fund Balance £'000**	**Capital Grants Unapplied £'000**		**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation of non current assets	(34)	0		34
Capital expenditure charged against the General Fund balance	0	0		0
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	0	1,057		(1,057)
Adjustments primarily involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(497)	0		497
Employer's pension contributions and direct payments to pensioners payable in the year	569	0		(569)
Adjustments primarily involving the Accumulated Absenses 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	4	0		(4)
Total Adjustments between accounting basis and funding basis under regulations	**42**	**1,057**		**(1,099)**

2011/12 Comparative Figures	Movement in Usable Reserves General Fund Balance £'000	Capital Grants Unapplied £'000		Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Charges for depreciation and impairment of non current assets	(38)	0		38
Capital expenditure charged against the General Fund balance	13	0		(13)
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0		0
Adjustments primarily involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(298)	0		298
Employer's pension contributions and direct payments to pensioners payable in the year	401	0		(401)
Adjustments primarily involving the Accumulated Absenses 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		56
Total Adjustments between accounting basis and funding basis under regulations	**22**	**0**		**(22)**

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 2012/13:

Transfers to / from Earmarked Reserves	Balance at 1 April 2011 £'000	Transfers From 2011/12 £'000	Transfers To 2011/12 £'000	Balance at 31 March 2012 £'000	Transfers From 2012/13 £'000	Transfers To 2012/13 £'000	Balance at 31 March 2013 £'000
Revenue Reserves							
Planning Delivery Reserve	(400)	0	0	(400)	400	0	0
Sustainable Communities Fund	(200)	200	(176)	(176)	0	(115)	(291)
Residual Set Up Reserve	(370)	0	0	(370)	370	0	0
Heathland Project Reserve	(29)	6	(1)	(24)	24	0	0
Carry Forwards	(511)	511	(528)	(528)	528	(943)	(943)
Planning Risk Management Reserve	(600)	0	0	(600)	600	0	0
Planning Reserve	0	0	0	0	0	(580)	(580)
Collabor8 Project Reserve	(30)	0	0	(30)	30	0	0
Major Projects Reserve	0	0	(278)	(278)	0	(158)	(436)
South Downs Way Reserve	0	0	0	0	0	(20)	(20)
Volunteer Ranger Service Reserve	0	0	0	0	0	(31)	(31)
Repairs and Renewals - Vehicles Reserve	0	0	(63)	(63)	0	(60)	(123)
Insurance Reserve	(50)	0	0	(50)	50	0	0
Capital Reserves							
South Downs Centre	(908)	6	0	(902)	0	(1,739)	(2,641)
Vehicles, Plant, Furniture and Equipment	0	0	0	0	12	(114)	(102)
Office Maintenance and Refurbishment	0	0	0	0	1,019	(1,216)	(197)
Total Earmarked Reserves	**(3,098)**	**723**	**(1,046)**	**(3,421)**	**3,033**	**(4,976)**	**(5,364)**

The Community Grants reserve has been renamed as the Sustainable Communities Fund which 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 was a short term reserve set up to fund any additional costs not included in the budget, such as future pay harmonisation and additional training. The annual review of reserves concluded that this reserve was no longer required and the balance was transferred to the General Fund balance.

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

The Carry Forwards reserve holds approved carry forward of budget to meet future specific costs.

The Planning Delivery and Planning Risk Management reserves have been merged together to create a single long term Planning reserve covering potential costs resulting from planning inquiries, changes to future delegation agreements, significant falls in planning income and support for neighbourhood plans.

The Collabor8 Project reserve held the approved carry forward of European funding to support the economic sustainability and cultural identity of the area and was used to fund expenditure incurred in the year of account.

The Major Projects reserve provides funding for specific projects.

The South Downs Way reserve and Volunteer Ranger Service reserve have been funded from reserves held by other local authorities from the South Downs Joint Committee. These reserves will be used to fund expenditure incurred on these areas in the future.

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

The Insurance reserve is no longer required as liabilities are covered by insurance policies with low excesses.

The Capital reserves hold resources to fund capital schemes as part of the Authority's capital programme. A new capital reserve has been created to support the refurbishment of area offices and to maintain the South Downs Centre in the future.

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		
	2011/12 £'000	2012/13 £'000
Pensions interest cost and expected return on pensions assets	(14)	(11)
Interest receivable and similar income	(82)	(74)
Total Financing and Investment Income and Expenditure	**(96)**	**(85)**

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		
	2011/12 £'000	2012/13 £'000
National Park Grant	(11,373)	(10,981)
Total Non Specific Grant Income	**(11,373)**	**(10,981)**

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 Park'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		
	2011/12 £'000	2012/13 £'000
Non Ring Fenced Government Grants credited to Taxation and Non Specific Grant Income		
Department for Environment, Food and Rural Affairs (DEFRA)	(11,373)	(10,981)
Total	**(11,373)**	**(10,981)**
Ring Fenced Government Grants credited to Cost of Services		
Natural England	(86)	(143)
Communities and Local Government	0	(60)
Total	**(86)**	**(203)**
Total Government Revenue Grants	**(11,459)**	**(11,184)**

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 Revenue Grants and Contributions		
	2011/12 £'000	2012/13 £'000
Non Government Grants and Revenue Contributions credited to Cost of Services		
Contributions from Other Agencies / External Bodies	(173)	(192)
Contributions from Other Local Authorities	(97)	(248)
Total Non Government Revenue Grants and Contributions	**(270)**	**(440)**

Capital Grants and Contributions

The Authority did not receive any capital grants or contributions in 2012/13.

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 and summarises the movement in fair value over the year for each sub category of property, plant and equipment:

2012/13	Vehicles, Plant, Furniture and Equipment £'000	Assets Under Construction £'000	Total £'000
Balance at 1 April 2012			
Gross carrying amount	209	0	**209**
Accumulated depreciation	(38)	0	**(38)**
Net Carrying Amount at 1 April 2012	**171**	**0**	**171**
Capital Additions			
Additions	12	1,057	**1,069**
Depreciation and Impairment Transactions charged to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement			
Depreciation charge	(34)	0	**(34)**
Net Carrying Amount at 31 March 2013	**149**	**1,057**	**1,206**
Comprising			
Gross carrying amount	221	1,057	**1,278**
Accumulated depreciation	(72)	0	**(72)**
Net Carrying Amount at 31 March 2013	**149**	**1,057**	**1,206**

2011/12 Comparative Figures	Vehicles, Plant, Furniture and 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 and Impairment 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**

Valuations

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

- Vehicles, plant, furniture and equipment are held at historic cost and therefore no revaluation of this category of asset takes place;
- Assets under construction are measured at historic 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. Asset lives for vehicles, plant, furniture and equipment are set at five years.

Contractual Commitments

The Authority had entered into capital contracts of £0.078m that existed at the Balance Sheet date for the South Downs Centre project which related to consultancy services.

12 Capital Expenditure and Capital Financing

The Authority incurred £1.069m of capital expenditure in 2012/13. 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		
	2011/12 £'000	**2012/13 £'000**
Opening Capital Financing Requirement	**0**	**0**
Capital Investment		
- Property, Plant and Equipment	19	1,069
	19	**1,069**
Sources of Finance		
- Government grants	0	(1,057)
- Reserves	(6)	(12)
- Revenue contributions	(13)	0
	(19)	**(1,069)**
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	171	1,206
Capital Adjustment Account	(171)	(1,206)
Total	**0**	**0**

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 and vehicles under operating leases with lease periods of between one and five years. The Authority entered into three new operating leases in respect of leased vehicles in the reporting period.

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 2012 £'000	31 March 2013 £'000
Not later than one year	97	127
Later than one year and not later than five years	45	60
Total Future Minimum Lease Payments	**142**	**187**

In 2012/13, the Authority made lease payments of £0.099m (£0.106m 2011/12) 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					
		2012/13			
	Balance at 1 April 2012 £'000	Additional Provisions Made £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Balance at 31 March 2013 £'000
Short Term Provisions					
Accumulated Absences	(61)	(57)	61	0	(57)
Total	**(61)**	**(57)**	**61**	**0**	**(57)**

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 in unusable reserves analysed between those amounts held for capital purposes and those held for revenue purposes:

Unusable Reserves	Balance as at 31 March 2012 £'000	Balance as at 31 March 2013 £'000
Pensions Reserve	54	478
Accumulated Absences Account	61	57
Total Unusable Reserves Held for Revenue Purposes	**115**	**535**
Capital Adjustment Account	(171)	(1,206)
Total Unusable Reserves Held for Capital Purposes	**(171)**	**(1,206)**
Total Unusable Reserves	**(56)**	**(671)**

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 reporting period:

Capital Adjustment Account	2011/12	2012/13	
	£'000	£'000	£'000
Balance as at 1 April	**(190)**		**(171)**
Reversal of items relating to capital expenditure debited / credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation of non current assets	38	34	
Net written out amount of the cost of non current assets consumed in the year	**38**		**34**
Capital financing applied in the year			
Use of Earmarked Reserves to finance new capital expenditure	(6)	(12)	
Application of grants to capital financing from the Capital Grants Unapplied Account	0	(1,057)	
Capital expenditure charged against the General Fund balance	(13)	0	
	(19)		**(1,069)**
Balance as at 31 March	**(171)**		**(1,206)**

Please note the comparative figures for capital financing applied have been reclassified to that published in the 2011/12 accounts.

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 pay 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 reporting period:

Pensions Reserve		
	2011/12 £'000	2012/13 £'000
Balance as at 1 April	**(2)**	**54**
Actuarial gains / losses on pension assets and liabilities	159	496
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	298	497
Employer's pensions contributions and direct payments to pensioners payable in the year	(401)	(569)
Balance as at 31 March	**54**	**478**

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 reporting period:

Accumulated Absences Account			
	2011/12	2012/13	
	£'000	£'000	£'000
Balance as at 1 April	**5**		**61**
Settlement or cancellation of accrual made at the end of the preceding year	(5)	(61)	
Amounts accrued at the end of the current year	61	57	
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**		**(4)**
Balance as at 31 March	**61**		**57**

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 2012/13 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 2012/13 is shown in note 18. During 2012/13, works and services to the value of £4.573m (£3.110m 2011/12) 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 2012/13, Brighton & Hove City Council provided Chief Finance Officer (S151) and other financial services to the Authority on a contractual basis to the value of £0.518m (£0.455m 2011/12). 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 reporting period:

Members' Allowances and Expenses		
	2011/12 £'000	2012/13 £'000
Allowances	91	93
Expenses	23	22
Total Payments to Members	**114**	**115**

Details of allowances and expenses paid in 2012/13 are published in local newspapers across the Park area (the Sussex Express, the West Sussex County Times and the Hampshire Chronicle). Details are also published on the Authority's website.

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, hold a statutory post or have responsibility for the management of the Authority with the power to direct or control its major activities, identified by job title.

In 2012/13 the senior employee posts of the Authority were filled wholly by permanent appointments whilst the other officer posts 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 tables which shows the actual remuneration paid to senior employees and other staff:

Senior Employee Remuneration - salary between £50,000 and £149,999 per year

Senior Employee Remuneration of Permanent Appointments - salary between £50,000 and £149,999 per year							
2011/12	2012/13						
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
£		£	£	£	£	£	£
22,336	Chief Executive	90,797	0	0	**90,797**	17,910	**108,707**
35,353	Director of Corporate Services	65,506	0	0	**65,506**	12,863	**78,369**
46,407	Director of Planning Services	81,421	0	0	**81,421**	15,878	**97,299**
81,459	Director of Strategy	68,788	0	0	**68,788**	13,466	**82,254**
66,943	Director of Operations	62,287	0	0	**62,287**	11,940	**74,227**
252,498	**Total**	**368,799**	**0**	**0**	**368,799**	**72,057**	**440,856**

For the purposes of this table, Senior Employees are defined as the Chief Executive and the Directors who make up the Senior Management Team. One other member of staff received remuneration between £50,000 and £54,999 in both 2012/13 and 2011/12.

Other Officer Remuneration

Other Staff				
Nature of Employment	2011/12		2012/13	
	Number of Staff	Actual Cost £'000	Number of Staff	Actual Cost £'000
Employed	98	2,346	100	2,943
Interim Staff	42	910	17	400
Total	**140**	**3,256**	**117**	**3,343**

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		
	2011/12 £'000	2012/13 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
• Current service cost	(312)	(508)
Financing and Investment Income and Expenditure		
• Interest cost	(46)	(92)
• Expected return on scheme assets	60	103
Total Post Employment Benefits charged to the Surplus / Deficit on the Provision of Services	**(298)**	**(497)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus / Deficit for the Provision of Services for post employment benefits	298	497
Actual amount charged against the General Fund balance for pensions in the year		
Employers' contributions payable to the scheme	(401)	(569)
Net Adjustment to Pension Liability	**(103)**	**(72)**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
Actuarial (Gain) /Loss	159	496
Net Adjustment to Pension Reserve	**56**	**424**

The actuarial loss in 2012/13 was £0.488m; this is different to the loss recorded in the financial statements of £0.496m due to estimated projections of contributions being used by the pension actuary. The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is £0.641m.

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		
	2011/12 £'000	2012/13 £'000
Balance at 1 April	**(49)**	**(1,273)**
Current service cost	(312)	(508)
Interest cost	(46)	(92)
Contributions by scheme participants	(127)	(190)
Actuarial gains / (losses)	(126)	(434)
Liabilities assumed in a business combination	(613)	(595)
Balance at 31 March	**(1,273)**	**(3,092)**

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

Fair Value of the Pension Scheme Assets		
	2011/12 £'000	2012/13 £'000
Balance at 1 April	**65**	**1,219**
Expected rate of return	60	103
Actuarial gains and (losses)	(28)	166
Employer contribution as per actuary report	401	562
Contributions by scheme participants	127	190
Assets acquired in a business combination	594	374
Balance at 31 March	**1,219**	**2,614**

The expected return on scheme assets of £0.103m (£0.060m for 2011/12) 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 £0.273m (£0.032m for 2011/12).

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	31 March 2013 £'000
Present value of liabilities	(49)	(1,273)	(3,092)
Fair value of assets	65	1,219	2,614
Deficit in the Scheme	**16**	**(54)**	**(478)**

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 2013 is £3.092m which is in respect of employee members.

The actuarial estimate of the present value of liabilities as at 31 March 2013 is £3.092m for funded obligations which includes £3.048m in respect of employee members and £0.044m in respect of deferred pensioners. There were no unfunded obligations as at 31 March 2013.

Assuming no material events (e.g. 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 2014 will be in the region of £0.553m.

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 2012	31 March 2013
Long term expected rate of return on assets in the scheme		
Equity Investments	6.2%	4.5%
Bonds	4.3%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
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	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate for discounting scheme liabilities	4.8%	4.5%
Expected total return on assets	5.8%	4.5%

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 2012	31 March 2013
Equity Investments	76.0%	77.0%
Bonds	14.0%	14.0%
Property	9.0%	8.0%
Cash	1.0%	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		2012/13	
	£'000	%	£'000	%	£'000	%
Experience gains and (losses) on assets	1	1.5	(28)	(2.3)	166	6.4
Experience gains and (losses) on liabilities	0	0.0	(124)	9.7	(32)	1.0

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 2012 £'000	31 March 2013 £'000
Bank current accounts	5,515	2,664
Short term deposits	2,535	4,505
Total Cash and Cash Equivalents	**8,050**	**7,169**

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		
	2011/12 £'000	2012/13 £'000
Surplus / (Deficit) on the Provision of Services	**1,336**	**953**
Adjustments to the Surplus / Deficit on the Provision of Services for Non Cash Movements		
Depreciation	38	34
Increase / (decrease) in creditors	1,859	(607)
(Increase) / decrease in debtors	(789)	(194)
(Increase) / decrease in inventories	(5)	3
Pension asset / (liability)	(103)	(72)
Contributions to / (from) provisions	56	(4)
	1,056	**(840)**
Net Cash Flows from Operating Activities	**2,392**	**113**

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		
	2011/12 £'000	2012/13 £'000
Interest Received		
Ordinary interest received	82	74
Net Cash Flows from Operating Activities relating to Interest	**82**	**74**

Net Cash Flows from Investing Activities

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

Net Cash Flows from Investing Activities		
	2011/12 £'000	2012/13 £'000
Purchase of non current assets		
Property, plant and equipment purchased	(19)	(994)
Net Cash Flows from Investing Activities	**(19)**	**(994)**

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 2012/13, the principal operating segments of the Authority are:

- Chief Executive's Service which includes the cost of the Chief Executive and support to the Chair of the Authority and senior managers;
- Strategy and Partnerships which cover the communications team, work to support the Authority's Management Plan together with major partnerships and sustainable communities funds;
- Planning which covers development management (including major planning applications) and planning policy;
- Operations which cover the rangers service and their work with communities and partners, visitor public relations and volunteer co-ordination;
- Corporate Services which cover the support services including premises, human resources, IT, financial management, audit, legal, performance and business planning, support to the Authority and its committees and members services.

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

Operating Segment Income and Expenditure Analysis								
2012/13	**Chief Executive's Services £'000**	**Strategy and Partnership £'000**	**Planning £'000**	**Operations £'000**	**Corporate Services £'000**	**Total £'000**	**National Park Grant**	**Total £'000**
Employee expenses	180	1,117	1,120	853	818	**4,088**	0	**4,088**
Other service expenses	5	1,241	4,231	515	1,577	**7,569**	0	**7,569**
Total Expenditure	**185**	**2,358**	**5,351**	**1,368**	**2,395**	**11,657**	**0**	**11,657**
Fees, charges and other service income	0	(272)	(982)	(114)	(76)	**(1,444)**	0	**(1,444)**
Government grants	0	(65)	(60)	(78)	0	**(203)**	(10,981)	**(11,184)**
Total Income	**0**	**(337)**	**(1,042)**	**(192)**	**(76)**	**(1,647)**	**(10,981)**	**(12,628)**
Net Expenditure	**185**	**2,021**	**4,309**	**1,176**	**2,319**	**10,010**	**(10,981)**	**(971)**

Operating Segment Income and Expenditure Analysis								
2011/12 Comparative Figure	**Chief Executive's Services £'000**	**Strategy and Partnership £'000**	**Planning £'000**	**Operations £'000**	**Corporate Services £'000**	**Total £'000**	**National Park Grant**	**Total £'000**
Employee expenses	62	855	734	822	644	**3,117**	0	**3,117**
Other service expenses	145	1,301	4,665	393	1,604	**8,108**	0	**8,108**
Total Expenditure	**207**	**2,156**	**5,399**	**1,215**	**2,248**	**11,225**	**0**	**11,225**
Fees, charges and other service income	0	(221)	(777)	(46)	(82)	**(1,126)**	0	**(1,126)**
Government grants	0	0	0	(86)	0	**(86)**	(11,373)	**(11,459)**
Total Income	**0**	**(221)**	**(777)**	**(132)**	**(82)**	**(1,212)**	**(11,373)**	**(12,585)**
Net Expenditure	**207**	**1,935**	**4,622**	**1,083**	**2,166**	**10,013**	**(11,373)**	**(1,360)**

Please note the 2011/12 comparatives in the above table have been updated to reflect the new grouping of services under operating segments applied in the reporting period.

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 pension accounting adjustments;
- 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, and 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 amounts in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

Reconciliation of Operating Segment Income and Expenditure to the Cost of Services in the Comprehensive Income and Expenditure Statement		
	2011/12 £'000	2012/13 £'000
Net expenditure in the operating segment analysis	(1,360)	(971)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the operating segment analysis	38	29
Amounts included in the operating segment analysis which fall outside the cost of services in the Comprehensive Income and Expenditure Statement	11,455	11,055
Cost of Services in the Comprehensive Income and Expenditure Statement	**10,133**	**10,113**

Reconciliation to Subjective Analysis

This reconciliation shows how the amounts 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 of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement							
2012/13	**Operating Segment Analysis £'000**	**Corporate Amounts Included in Operating Segment 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	4,088	0	(4)	0	**4,084**	(11)	**4,073**
Other service expenses	7,569	0	0	0	**7,569**	0	**7,569**
Support service and management and administration recharges	0	0	4,118	(4,118)	**0**	0	**0**
Depreciation of non current assets	0	0	33	0	**33**	0	**33**
Total Expenditure	**11,657**	**0**	**4,147**	**(4,118)**	**11,686**	**(11)**	**11,675**
Fees, charges and other service income	(1,370)	0	0	0	**(1,370)**	0	**(1,370)**
Support service and management and administration recharges	0	0	(4,118)	4,118	**0**	0	**0**
Interest and investment income	(74)	74	0	0	**0**	(74)	**(74)**
Government grants	(11,184)	10,981	0	0	**(203)**	(10,981)	**(11,184)**
Total Income	**(12,628)**	**11,055**	**(4,118)**	**4,118**	**(1,573)**	**(11,055)**	**(12,628)**
Surplus / Deficit on the Provision of Services	**(971)**	**11,055**	**29**	**0**	**10,113**	**(11,066)**	**(953)**

Reconciliation of Operating Segment Income and Expenditure to the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement							
2011/12 Comparative Figures	**Operating Segment Analysis £'000**	**Corporate Amounts Included in Operating Segment 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**
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)**

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	Current	
	31 March 2012 £'000	31 March 2013 £'000
Investments		
Loans and receivables	8,050	7,169
Total Investments	**8,050**	**7,169**
Debtors		
Financial assets carried at contract amounts	1,084	1,203
Total Debtors	**1,084**	**1,203**
Creditors		
Financial liabilities carried at contract amounts	(2,771)	(2,164)
Total Creditors	**(2,771)**	**(2,164)**

The above table includes an investment with the Royal Bank of Scotland of £4.503m (£2.500m with Lloyds Bank 2011/12), accrued interest of £0.002m (£0.035m in 2011/12) and cash at bank of £2.664m (£5.515m 2011/12).

The Authority does not have any long term financial instruments.

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 table:

Gains and Losses in Respect of Financial Instruments	Loans and Receivables 2011/12 £'000	Loans and Receivables 2012/13 £'000
Interest income	(82)	(74)
Total income in the Surplus / Deficit on the Provision of Services	**(82)**	**(74)**
Net (Gain) / Loss for the year	**(82)**	**(74)**

The interest 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, debtors and creditors 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 2012		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Creditors	(2,771)	(2,771)	(2,164)	(2,164)
Total Financial Liabilities	**(2,771)**	**(2,771)**	**(2,164)**	**(2,164)**

The Authority has not raised any borrowing during the reporting period.

Financial Assets

Financial Assets				
	31 March 2012		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	2,535	2,535	4,505	4,505
Cash at Bank	5,515	5,515	2,664	2,664
Debtors	1,084	1,084	1,203	1,203
Total Loans and Receivables	**9,134**	**9,134**	**8,372**	**8,372**

All financial assets are short term at 31st March 2013; 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 it 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 13 March 2012. 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 2012/13;
- 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):

Potential Exposure to Credit Risk				
	Amount at 31 March 2013 £'000	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2013	Estimated Maximum Exposure to Default £'000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
A rated counterparties	4,503	0.09%	0.09%	4
Debtors	1,203	0.00%	0.00%	0
Total	**5,706**			**4**

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 the financial assets invested in the reporting period of £4.503m (£2.500m in 2011/12) is less than one year.

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 is posted to the Surplus / Deficit on the Provision of services and affects 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 monitors market and forecast interest rates within the year to adjust exposures appropriately.

At 31 March 2013, 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 2012 £'000	31 March 2013 £'000
Central government bodies	262	411
Other local authorities	316	689
Public corporations and trading funds	0	1
Other entities and individuals	506	102
Total Short Term Debtors	**1,084**	**1,203**

25 Creditors

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

Short Term Creditors		
	31 March 2012 £'000	31 March 2013 £'000
Central government bodies	(164)	(142)
Other local authorities	(1,762)	(1,584)
Other entities and individuals	(845)	(438)
Total Short Term Creditors	**(2,771)**	**(2,164)**

26 External Audit Costs

In 2012/13, 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		
	2011/12 £'000	2012/13 £'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	19	15
Total	**19**	**15**

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 the reporting period:

Analysis of Movement in Inventories							
	Balance at 1 April 2011 £'000	Purchases £'000	Recognised as an Expense in Year £'000	Balance at 31 March 2012 £'000	Purchases £'000	Recognised as an Expense in Year £'000	Balance at 31 March 2013 £'000
Inventories Held for Sale or Distribution in the Ordinary Course of Operations	**16**	27	(22)	**21**	15	(18)	**18**
Totals	**16**	**27**	**(22)**	**21**	**15**	**(18)**	**18**

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		
	2011/12 £	2012/13 £
Recruitment Advertising	111,692	7,804
Public Relations	167,872	131,525
Other Publicity and Marketing	62,513	37,510
Total	**342,077**	**176,839**

The cost of publicity has decreased by £0.165m; this is mainly due to the cost of recruitment advertising being significantly reduced as the establishment was mainly recruited to before this reporting period.

South Downs
National Park Authority

Accounting Policies

2012/13

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 (IASB) 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 (IPSAS) and the UK Accounting Standards Board where these provide additional guidance.

The accounting convention adopted in the Statement of Accounts is principally historic 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 provides 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 a liability could be 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 of 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 (see accounting policy on creditors). 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 deminimis 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 deminimis 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.

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).

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.

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 *Employee Benefits* paragraphs 58 to 58B *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* 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).

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. Financial Assets and Liabilities - Financial Instruments

The authority accounts for financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 32 *Financial Instruments: Presentation* and FRS 7 *Financial Instruments: Disclosures*, except where interpretations or adaptations to fit the public sector are detailed in the Code.

Initial Recognition

The authority recognises a financial asset or liability on the Balance Sheet when, and only when, it becomes party to the contractual provisions of a financial instrument. In the case of a financial asset or a derivative, this is when the purchaser becomes committed to the purchase (i.e. the contract date) and is usually referred to as the 'trade date'. The sale of a financial asset is also recognised on the trade date. In respect of trade receivables, the receivable is recognised when the ordered goods or services have been delivered or rendered. Similarly a trade payable is recognised when the ordered goods or services have been received. In the case of a financial liability the authority does not become party to the contractual provisions of a financial liability unless one of the parties has performed.

Classification

The authority classifies its financial instruments on initial recognition in accordance with their inherent characteristics.

The authority classifies its financial assets as current when:

- it expects to realise or sell the financial asset in its normal operating cycle;
- it holds the financial asset primarily for the purpose of trading;
- it expects to realise the financial asset within 12 months after the reporting period; or
- the financial asset is cash or cash equivalent.

All other financial assets are classified as long term financial assets.

The authority only has financial assets which are classified as loans and receivables (i.e. defined as assets that have fixed or determinable payments and are not quoted in an active market)

The authority classifies financial liabilities as current when:

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

All other financial liabilities are classified as long term financial liabilities.

Subsequent Recognition

The accounting treatment of a financial liability and a financial asset after initial recognition applied by the authority depends on its classification on initial recognition.

Loans and Receivables

The carrying amount of loans and receivables and the interest income receivable is measured following initial recognition at amortised cost.

Interest receivable is credited to the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure based on the carrying amount of the asset multiplied by the effective rate of interest for the financial instrument; for most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When calculating the effective interest rate, the authority estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The effective interest rate used is based on discounting the estimated cash flows and contractual life.

If the authority revises its estimates of payments or receipts, it adjusts the carrying amount of the financial asset to reflect actual and revised estimated cash flows. The authority recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expense in the Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

Derecognition

Financial Asset

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred. For loans and receivables, any gains and losses that arise on derecognition of the asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

In relation to available for sale financial assets, any gains and losses that arise on derecognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with any cumulated gains or losses previously recognised in the Comprehensive Income and Expenditure Statement.

O. 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.

P. 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.

Q. 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.

R. 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.

S. 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 derecognition of property, plant and equipment

Depreciation

Depreciation is applied to all property, plant and equipment, regardless of whether held at historic 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).

T. 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 leases, as a lessee, which have been classified as operating leases; 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).

U. 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 2011. 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.

South Downs
National Park Authority

Independent Auditor's Report

2012/13

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

Opinion on the Authority's financial statements

We have audited the financial statements of South Downs National Park Authority for the year ended 31 March 2013 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 1 to 28. 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 2012/13.

This report is made solely to the members of South Downs National Park Authority, as a body, 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 11, 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 2012/13, and for being satisfied that they give a true and fair view. Our 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 us 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. In addition, we read all the financial and non-financial information in the Statement of Accounts 2012/13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Downs National Park Authority as at 31 March 2013 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 2012/13.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2012/13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Other matters on which we are required to conclude

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

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following:

- our 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 our responsibilities; and
- our locally determined risk-based work to consider your response to the peer review undertaken in the year; and to consider the changes and slippage in your 2012/13 capital programme.

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

Certificate

We certify that we 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
for and on behalf of Ernst & Young LLP
26 September 2013

Glossary of Terms

2012/13

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);
- 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.

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.

Borrowing

Borrowing is a sum of money borrowed for a specified period.

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.

Carrying Amount

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

Cash

Cash comprises cash in hand and demand deposits.

Cash Equivalents

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

Cash Flows

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

Cash Flow Statement

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

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting cost in the reporting period of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

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.

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.

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 life.

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);
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

Expected Rate of Return on Pensions Assets

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

Expenses

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

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms 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.

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.

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:

<u>Liabilities</u>

- Trade payables and other payables
- Borrowings

<u>Assets</u>

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

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.

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.

Historic Cost

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

Income

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

Interest Cost (Pensions)

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

International Accounting Standards (IAS)

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

International Financial Reporting Standards (IFRS)

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

International Financial Reporting Interpretations Committee (IFRIC)

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

International Public Sector Accounting Standards (IPSAS)

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

Inventories

Inventories are assets:

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

Investing Activities

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

Lease

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

Liability

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

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 unto usable reserves and other reserves.

National Park Grant

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

Net Realisable value

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

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.

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;
- 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.

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;
- 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.

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.

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.

Midhurst Office, Rosemary's Parlour North Street, Midhurst West Sussex GU29 9SB
T: 0300 303 1053 E: info@southdowns.gov.uk www.southdowns.gov.uk
South Downs National Park Authority
Statement of Accounts 2012-2013
A copy of this document can be found on the Authority's website www.southdowns.gov.uk