

### 13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Balances classified as 'Cash Equivalents' fit the definition of being 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.

The balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

	31 March 2011 £000	31 March 2012 £000
Cash in hand	5,196	3,229
Call accounts (same day access funds)	33,550	62,450
<b>Total cash and cash equivalents</b>	<b>38,746</b>	<b>65,679</b>
Bank overdraft	-7,561	-10,245
<b>Net cash and cash equivalents</b>	<b>31,185</b>	<b>55,434</b>

### 14 Inventories

	31 March 2011 £000	Purchases £000	Expense in the year £000	Written off balances £000	31 March 2012 £000
<b>Stocks</b>					
Catering stock	429	7,128	-7,104	-5	448
County Supplies general	1,363	6,760	-6,538	-5	1,580
Culture, Communities & Business	247	525	-486	-23	263
Services sales stocks					
Salt stock	-	431	-191	-	240
Other (including landfill allowances)	337	6,642	-6,569	-8	402
	<b>2,376</b>	<b>21,486</b>	<b>-20,888</b>	<b>-41</b>	<b>2,933</b>
<b>Construction contracts</b>					
	Work not recharged at 2011	Value of new work done 2011/12		Income received in 2011/12	Value of work not recharged 2012
	£000	£000		£000	£000
Highway rechargeable works	520	981		-914	587
Other	60			-46	14
	<b>580</b>	<b>981</b>		<b>-960</b>	<b>601</b>
<b>Total stocks and work in progress</b>	<b>2,956</b>	<b>22,467</b>	<b>-20,888</b>	<b>-1,001</b>	<b>3,534</b>

Closing stock valuations have been assessed using the latest purchase price. This does not accord with the International Accounting Standard 2 which requires stock to be valued at the lower of the original purchase price and current value but the differences in the valuations are not material.

**15 Assets held for sale**

	2010/11 £000	2011/12 £000
Balance outstanding at start of year	8,432	13,766
Assets newly classified as held for sale:		
- property, plant and equipment	9,863	-
- other assets/liabilities in disposal groups	184	250
Revaluation gains and losses	-450	84
Impairment losses	-2,067	-184
Assets declassified as held for sale	-	-
Assets sold	-2,196	-3,305
<b>Balance outstanding at year-end</b>	<b>13,766</b>	<b>10,611</b>

**16 Change in provisions**

		31 March 2011	Change in 2011/12		31 March 2012
		£000	Central Provision £000	Service Provision £000	£000
Insurance claims	a	-6,921	1,303	-2,134	-7,752
Contract terminations	b	-249	-	-	-249
Non school employee related expenditure	c	-5,636	-	-387	-6,023
School employee related expenditure	c	-	-	-5,673	-5,673
Tax liabilities	d	-	-	-5,521	-5,521
Other	e	-10	-	-969	-979
<b>Provisions identified in the Balance Sheet</b>		<b>-12,816</b>	<b>1,303</b>	<b>-14,684</b>	<b>-26,197</b>
Provision for doubtful debts (include with debtors in the Balance Sheet)		-2,200	-2,000	-670	-4,870
<b>Net change included in the Comprehensive Income and Expenditure Statement</b>			<b>-697</b>	<b>-15,354</b>	

- a The insurance provision represents an assessment of the likely cost of liability claims known to the Council at 31 March 2012. The risks covered are as follows:

**Liabilities**

Employer's liability, public liability and professional indemnity up to a total loss of £14 million in any one year. Should this limit ever be exceeded, the maximum liability for any one claim would be £5 million.

**Property**

Reinstatement of buildings for loss or damage as a result of fire, lightning, explosion and (for schools only) major storm and flood. This applies to buildings owned by the Council and those leased to it where the lease allows.

Contents owned by the Council for loss or damage as a result of fire, lightning, explosion and theft, all-risk cover for IT equipment in the computer suite, and for cash on premises and in transit (limits depending on location).

**Additional cover**

Personal accident of staff on duty  
Fidelity guarantee  
Vessels

- b Council departments currently continue to perform services on contract where functions have been transferred from the Council. The contract termination provision recognises that the Council is likely to incur certain costs when these arrangements eventually end.
- c As a result of its efficiency and transformation programme, and historic conclusions regarding prior reviews, the Council has made provision for likely payments due to individual employees.
- d Linked to the provision for employee related costs, the Council has provided for the probable resulting tax liability.
- e This provision covers other liabilities, including that relating to the need to purchase allowances to offset the Councils carbon dioxide emissions through its use of energy.

**17 Unusable reserves**

Movements in the Authority's reserves are detailed in the Movement in Reserves Statement. Unusable reserves are detailed in the table below

		Balance 1 April 2011 £000	Net Movement in the year £000	Balance 31 March 2012 £000
<b>Reserve</b>	see note			
Revaluation reserve	17a	-719,507	-77,917	-797,424
Capital adjustment account	17b	-2,386,840	133,127	-2,253,713
	17c	79	-79	-
Financial instrument adjustment account				
Pensions reserve	17d	753,960	224,290	978,250
Deferred capital receipts reserve	17e	-	-1,116	-1,116
Collection fund adjustment account	17f	-6,656	-1,351	-8,007
Accumulated absences account	17g	15,943	-1,948	13,995
		<b>-2,343,021</b>	<b>275,006</b>	<b>-2,068,015</b>

**17a Revaluation reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- \* revalued downwards or impaired and the gains lost
- \* used in the provision of services and the gains are consumed through depreciation, or
- \* disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11 £000	2011/12 £000
Balance at 1 April	<b>-567,025</b>	<b>-719,507</b>
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>-172,096</b>	<b>-136,469</b>
Difference between fair value depreciation and historical cost depreciation	16,097	20,346
Adjustments to prior year revaluations	-	-
Write off net gains for assets transferred to Academy schools	-	38,040
Accumulated gains on assets sold, scrapped or transferred to/from current assets	3,517	166
Amount written off to the Capital Adjustment Account	<b>19,614</b>	<b>58,552</b>
<b>Balance at 31 March</b>	<b>-719,507</b>	<b>-797,424</b>

**17b 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. This account contains expenditure financed from revenue and capital receipts together with the statutory amount required to provide for the repayment of external loans less the amounts included for depreciation, impairment and revenue expenditure financed by capital under statute and the historic cost of asset disposals. The reserve is not cash backed. The movement in the account is analysed below:

	2010/11 £000	2011/12 £000
Balance brought forward 1 April	<b>-2,395,430</b>	<b>-2,386,840</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of noncurrent assets	165,174	214,699
Revenue expenditure funded from capital under statute	9,244	14,091
Assets disposals current value	8,569	4,091
Assets transferred to Academy schools current value		129,969
	<b>-2,212,443</b>	<b>-2,023,990</b>
Adjusting amounts written out of Revaluation Reserve:		
Excess of current value depreciation over historic cost depreciation	-16,097	-20,346
Write off net gains for assets transferred to Academy Schools and to/from current assets	-	-37,604
Write out revaluations on asset disposals	-3,517	-602
Adjustment to prior year revaluations	227	-
	<b>-19,387</b>	<b>-58,552</b>
<b>Net written out amount of the cost of assets consumed in the year</b>	<b>-2,231,830</b>	<b>-2,082,542</b>
<b>Capital financing applied in the year</b>		
Capital receipts applied	-13,030	-6,698
Statutory minimum revenue provision for capital financing	-31,839	-33,871
Debt outstanding on transferred services	-	-1,775
External contribution to minimum revenue provision	1,646	1,746
Revenue contributions to capital expenditure	-16,107	-46,088
Capital grants and contributions applied	-90,176	-83,713
	<b>-149,506</b>	<b>-170,399</b>
Movement in the market value of investment properties	-5,504	-772
<b>Balance as at 31 March</b>	<b>-2,386,840</b>	<b>-2,253,713</b>

**17c Financial instruments adjustment account**

The balance on the financial instruments adjustment account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice, but which statutory provisions allow or require to be deferred over future years. The authority uses the account to offset the effective interest rate charged to the Comprehensive Income and Expenditure Statement in respect of one soft loan.

One interest-free loan was advanced in 2007/08 to enable a foster carer to purchase a larger house. The amount was £247,597, repayable in monthly instalments within 30 years. The balance of effective interest remaining is now immaterial and has been written down in full by crediting the Comprehensive Income and Expenditure Statement in 2011/12 with £78,788 (£9,215 in 2010/11) calculated at the market rate prevailing when the loan was advanced. The Local Authorities (Capital Financing and Accounting) (Amendment) (England) Regulations 2007 allow this to be transferred to a financial instrument adjustment account so that it does not affect the General Fund.

	2010/11 £000	2011/12 £000
Balance brought forward 1 April	88	79
Effective interest credited to Income and Expenditure	-9	-79
<b>Balance at 31 March</b>	<b>79</b>	<b>-</b>

**17d 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 Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11 £000	2011/12 £000
Balance at 1 April	963,330	753,960
Actuarial losses on pensions assets and liabilities	18,770	226,020
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-148,075	68,962
Employer's pensions contributions and direct payments to pensioners payable in the year	-80,065	-70,692
<b>Balance at 31 March</b>	<b>753,960</b>	<b>978,250</b>

**17e Deferred capital receipts reserve**

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

	2010/11 £000	2011/12 £000
Balance at 1 April	-	-
Capital receipts agreed, not yet received		-1,116
Transfer to the capital receipts reserve upon receipt of cash	-	
<b>Balance at 31 March</b>	<b>-</b>	<b>-1,116</b>

**17f Collection fund adjustment account**

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the District Council's Collection Funds.

	2010/11 £000	2011/12 £000
Balance at 1 April	-4,529	-6,656
Accrued income in the Comprehensive Income and Expenditure account	-527,421	-531,284
Amount calculated in accordance with statutory requirements	525,294	529,933
<b>Balance at 31 March</b>	<b>-6,656</b>	<b>-8,007</b>

**17g 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 account.

	2010/11 £000	2011/12 £000
Balance at 1 April	17,768	15,943
Settlement or cancellation of accrual made at the end of the preceding year	-17,768	-15,943
Amounts accrued at the end of the current year	15,943	13,995
<b>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</b>	<b>-1,825</b>	<b>-1,948</b>
<b>Balance at 31 March</b>	<b>15,943</b>	<b>13,995</b>

**18a Cash flow statement - operating activities**

The cash flows for operating activities includes the following items:

	2010/11 £000	2011/12 £000
Interest paid	27,014	27,534
Interest received	-5,341	-7,454
	<b>21,673</b>	<b>20,080</b>

**Adjustments to net surplus or deficit on the provision of services  
for non-cash movements**

Depreciation	-103,345	-110,696
Impairments and downward revaluations	-61,829	-104,003
Amortisations	-	-
Increase in impairment for provision of bad debt	-746	-2,670
Increase/decrease in creditors	-33,923	19,770
Increase in debtors	-1,894	3,227
Increase in inventory	-415	328
Pension Liability	228,140	1,730
Carrying amount of non-current assets sold	-8,569	-4,091
Adjustment for provisions	-7,628	-13,381
Movement in the value of investment properties	5,504	772
PPE written off as REFCUS	-1,347	-9,248
Non-cash movement	<b>13,948</b>	<b>-218,262</b>

**Adjustment for items included in the net surplus or deficit on the provision of  
services that are investing and financing activities**

Proceeds from the sale of PPE etc	13,030	7,814
Capital grants and contributions	101,972	118,695
Interest on developer contributions	-209	-137
Investing/financing cash flows	<b>114,793</b>	<b>126,372</b>

**18b Cash Flow Statement - investing activities**

	2010/11 £000	2011/12 £000
<b>Cash outflows</b>		
Purchase of property, plant and equipment	167,311	123,861
Purchase of short-term and long-term investments	34,666	78,565
<b>Cash inflows</b>		
Proceeds from the sale of property, plant and equipment	-10,766	-5,841
Proceeds from the sale of short-term and long-term investments	-	-
Capital grants	-100,379	-96,828
Other income	-	-
<b>Net cash outflow from investing activities</b>	<b>90,832</b>	<b>99,757</b>

**18c Cash Flow Statement - financing activities**

	2010/11 £000	2011/12 £000
<b>Cash outflows</b>		
Cash payments for the reduction of the outstanding liabilities relating to PFIs	5,787	6,381
Repayments of short- and long-term borrowing	548,196	-
Other payments for financing activities	-	-
<b>Cash inflows</b>		
Cash receipts of short- and long-term borrowing	-538,699	-21,999
Other receipts from financing activities	-1,805	-1,746
<b>Net cash outflow from financing activities</b>	<b>13,479</b>	<b>-17,364</b>

## 19 Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet 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:

- \* no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- \* the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- \* expenditure on some support services is budgeted for centrally and not charged to services budgets

### Service income and expenditure 2011/12

	Children's Services Schools block £000	Children's Services Non Schools £000	Adult Services £000	Environment £000	Policy and Resources £000	Total £000
<b>Expenditure</b>						
Employee costs	584,140	90,641	102,766	30,355	88,580	896,482
Premises Related Expenditure	40,949	2,936	3,256	5,042	16,796	68,979
Transport Related Expenditure	4,033	25,849	5,604	1,545	2,241	39,272
Supplies & Services	95,434	17,577	12,497	64,501	26,503	216,512
Third Party Payments	60,169	54,157	263,850	30,972	2,697	411,845
Transfer Payments	-	2,128	17,404	136	126	19,794
Support Services	41,394	29,813	5,106	199	17,193	93,705
<b>Income</b>						
Other Grants Reimbursements and Contributions	-20,654	-15,080	-25,256	-1,182	-5,662	67,834
Sales	-19,030	-215	-18	-206	-1,309	20,778
Fees and Charges	-36,018	-9,022	-62,203	-15,507	-22,650	145,400
Rents	-5,113	-459	-16	-1,315	-2,536	9,439
Interest	-28	21	-	-5	-7	19
<b>Other</b>						
Transfer to/ from business unit reserves		525				525
Recharges between departments	-1,359	-29,881	-1,736	-10,700	-26,047	69,723
<b>Service analysis total</b>	<b>743,917</b>	<b>168,990</b>	<b>321,254</b>	<b>103,835</b>	<b>95,925</b>	<b>1,433,921</b>

**Reconciliation between the service analysis and the cost of services 2011/12**

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

	£000	£000
<b>Service analysis total</b>		1,433,921
<b>Net expenditure of services and support service not included in the service analysis</b>		
Winter Maintenance	4,531	
Flood Levy	553	
Coroners	<u>1,447</u>	
		6,531
<b>Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the service analysis</b>		
Specific Grants	-854,898	
Current pension cost adjustment	1,044	
Past pension cost adjustment	-10,143	
Depreciation and impairment of assets	223,212	
Landfill Allowances Trading Scheme Income	-163	
School catering support	-481	
Transfer to/ from provisions	697	
Employee benefit accrual	<u>-1,948</u>	
		-642,680
<b>Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement cost of services</b>		
Income on investment properties		913
Expenditure on investment properties		<u>-389</u>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>		<b>798,296</b>

## Reconciliation between service analysis and surplus on the provision of services 2011/12

	Service Analysis £000	Services not in Analysis £000	Not reported to mgmt £000	Not included in Comprehensive Income and Expenditure Statement £000	Net Cost of Services £000	Amounts reported below net cost of services £000	Total £000
Fees, charges & other service income	-175,617	-1,259	-163	913	-176,126		-176,126
Interest and investment income (including expected return on pension assets)	-19				-19	-96,390	-96,409
Income from council tax						-531,284	-531,284
Government grants and contributions	-67,834		-854,898		-922,732	-317,508	-1,240,240
Net investment property gains and losses						-1,296	-1,296
Gain on Disposal of Fixed Assets						-3,691	-3,691
<b>Total Income</b>	<b>-243,470</b>	<b>-1,259</b>	<b>-855,061</b>	<b>913</b>	<b>-1,098,877</b>	<b>-950,169</b>	<b>-2,049,046</b>
Employee expenses	896,482	624	-11,047		886,059		886,059
Other service expenses	756,402	7,166	-481	-389	762,698		762,698
Support Service recharges	23,982				23,982		23,982
Depreciation and impairment of assets			223,212		223,212		223,212
Interest Payments						137,121	137,121
<b>Total operating expenses</b>	<b>1,676,866</b>	<b>7,790</b>	<b>211,684</b>	<b>-389</b>	<b>1,895,951</b>	<b>137,121</b>	<b>2,033,072</b>
<b>Transfers to/ from reserves and provisions</b>	<b>525</b>		<b>697</b>		<b>1,222</b>		<b>1,222</b>
<b>Surplus or deficit on the provision of services</b>	<b>1,433,921</b>	<b>6,531</b>	<b>-642,680</b>	<b>524</b>	<b>798,296</b>	<b>-813,048</b>	<b>-14,752</b>

## Service Income and Expenditure 2010/11

	Children's Services Schools block £000	Children's Services Non Schools £000	Adult Services £000	Environment £000	Culture, Communities and Rural Affairs £000	Policy and Resources £000	Total £000
<b>Expenditure</b>							
Employee costs	644,410	112,966	108,163	35,180	30,803	73,832	1,005,354
Premises Related Expenditure	44,198	3,166	2,894	4,812	4,037	12,541	71,648
Transport Related Expenditure	4,003	26,956	6,051	1,609	1,271	1,338	41,228
Supplies & Services	101,071	20,721	16,006	51,583	14,818	12,761	216,960
Third Party Payments	65,839	112,489	248,813	31,049	200	5,180	463,570
Transfer Payments	1,346	1,607	15,151	141	33	59	18,337
Support Services	124,190	66,721	3,346	284	1,382	16,765	212,688
<b>Income</b>							
Other Grants Reimbursements and Contributions	-33,640	-81,678	-37,251	-956	-7,400	-2,577	-163,502
Sales	-19,377	-220	-19	-147	-1,226	-99	-21,088
Fees and Charges	-39,936	-9,711	-58,167	-14,577	-8,399	-15,974	-146,764
Rents	-5,537	-261	-16	-1,272	-483	-1,993	-9,562
Interest	-30	21	-1	-3	-7		-20
<b>Other</b>							
Transfer to/ from business unit reserves		130					130
Recharges between departments	-68,246	-79,715	-1,390	-11,982	-1,238	-20,819	-183,390
<b>Service analysis total</b>	<b>818,291</b>	<b>173,192</b>	<b>303,580</b>	<b>95,721</b>	<b>33,791</b>	<b>81,014</b>	<b>1,505,589</b>

## Reconciliation between the service analysis and the cost of services 2010/11

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

	£000	£000
<b>Service analysis total</b>		1,505,589
<b>Net expenditure of services and support service not included in the analysis</b>		
Winter Maintenance	5,392	
Flood Levy	557	
Coroners	1,324	
		7,273
<b>Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the service analysis</b>		
Specific Grants	-865,335	
Current pension cost adjustment	-3,859	
Past pension cost adjustment	-253,421	
Depreciation and impairment of assets	171,927	
Landfill Allowances Trading Scheme Income	-300	
School catering support	-205	
Transfer to/ from provisions	-1,833	
Employee benefit accrual	-1,825	
		-954,851
<b>Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement cost of services</b>		
Income on investment properties		969
Expenditure of investment properties		-390
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>		<b>558,590</b>

## Reconciliation between service analysis and surplus on the provision of services 2010/11

	Service Analysis £000	Services not in Analysis £000	Not reported to mgmt £000	Not included in Comprehensive Income and Expenditure Statement £000	Net Cost of Services £000	Amounts reported below net cost of services £000	Total £000
Fees, charges & other service income	-177,414	-2	-300	969	-176,747		-176,747
Interest and investment income (including expected return on pension assets)	-20				-20	-86,002	-86,022
Income from council tax					0	-527,421	-527,421
Government grants and contributions	-163,502	-1151	-865,335		-1,029,988	-305,439	-1,335,427
Net investment property gains and losses						-6,083	-6,083
Gain on disposal of fixed assets						-4,447	-4,447
<b>Total Income</b>	<b>-340,936</b>	<b>-1,153</b>	<b>-865,635</b>	<b>969</b>	<b>-1,206,755</b>	<b>-929,392</b>	<b>-2,136,147</b>
Employee expenses	1,005,354	580	-259,105		746,829		746,829
Other service expenses	811,743	7,846	-205	-390	818,994		818,994
Support Service recharges	29,298				29,298		29,298
Depreciation and impairment of assets			171,927		171,927		171,927
Interest Payments						134,874	134,874
<b>Total operating expenses</b>	<b>1,846,395</b>	<b>8,426</b>	<b>-87,383</b>	<b>-390</b>	<b>1,767,048</b>	<b>134,874</b>	<b>1,901,922</b>
<b>Transfers to/ from reserves and provisions</b>	<b>130</b>		<b>-1,833</b>		<b>-1,703</b>		<b>-1,703</b>
<b>Surplus or deficit on the provision of services</b>	<b>1,505,589</b>	<b>7,273</b>	<b>-954,851</b>	<b>579</b>	<b>558,590</b>	<b>-794,518</b>	<b>-235,928</b>

## 20 Internal trading accounts

Trading operations support the delivery of services and the expenditure of trading units is charged to services as part of the net cost of services in the Comprehensive Income and Expenditure Statement. The residual amount of the net surplus on trading operations is shown as Financing and Investment Income and Expenditure.

The trading units had an overall surplus of £358,000 (2010/11 overall surplus of £2,632,000) as follows:

		2010/11 £000	2011/12 £000
<b>Former Direct Services Organisation</b>			
- provides catering and cleaning services to schools and some non-educational sites in Hampshire and supplies vehicle to departments of the County Council.	Turnover	-27,559	-26,999
	Expenditure	26,752	27,568
	<b>Surplus(-)deficit</b>	<b>-807</b>	<b>569</b>
<b>Education Business Units</b>			
- provide support services principally to schools but also to other departments and other local authorities.	Turnover	-34,674	-31,018
	Expenditure	34,544	30,493
	<b>Surplus(-)</b>	<b>-130</b>	<b>-525</b>
<b>Information Technology Services</b>			
- provided to County Council departments and some other local authorities.	Turnover	-46,217	-48,959
	Expenditure	44,786	48,565
	<b>Surplus(-)</b>	<b>-1,431</b>	<b>-394</b>
<b>County Supplies</b>			
- operate the central purchasing warehouse and arrange direct delivery and other contracts for County Council departments, other local authorities and voluntary organisations.	Turnover	-11,321	-11,086
	Expenditure	11,024	10,999
	<b>Surplus(-)</b>	<b>-297</b>	<b>-87</b>
<b>Seven other smaller trading units</b>			
- including a surplus of £53,000 (£57,000 surplus in 2010/11) on the management of the River Hamble.	Turnover	-3,949	-3,255
	Expenditure	3,982	3,334
	<b>Deficit</b>	<b>33</b>	<b>79</b>
	<b>Total Surplus(-)</b>	<b>-2,632</b>	<b>-358</b>

## 21 Pooled budgets

The County Council is a partner in two pooled budget arrangements.

The County Council is a partner in Hampshire's CAMHS and other child health joint Commissioning Partnership. The Partnership's purpose is to develop integrated commissioning of Child and Adolescent Mental Health Services in Hampshire under Section 75 of the National Health Service Act 2006.

The partner bodies are:

Hampshire County Council (host partner) and NHS Hampshire

		2010/11		2011/12
		£000		£000
Gross income				
Hampshire County Council	-1,833		-1,811	
NHS Hampshire	-7,696	-9,529	-8,133	-9,944
<b>Expenditure</b>		<b>9,510</b>		<b>9,944</b>
<b>Surplus</b>		<b>-19</b>		<b>-</b>
Council's share of the net surplus arising on the pooled budget		-4		-

The County Council is a partner in the Mid Hampshire Mental Health Services pooled budget. Its objective is to promote the independence of adults with severe mental-health problems.

The partner bodies are:

Hampshire County Council (host partner) and Hampshire Primary Care Trust (PCT)

		2010/11		2011/12
		£000		£000
Gross income				
Hampshire County Council	-82		-83	
Hampshire Primary Care Trust	-927	-1,009	-884	-967
<b>Expenditure</b>		<b>904</b>		<b>814</b>
<b>Surplus</b>		<b>-105</b>		<b>-153</b>
Council's share of the net surplus arising on the pooled budget		-13		-17

**22 Members' allowances**

The Authority paid the following amounts to members of the council during the year.

	2010/11 £000	2011/12 £000
Allowances	1,302	1,288
Expenses	85	82
<b>Total</b>	<b>1,387</b>	<b>1,370</b>

**23a Officer remuneration**

The number of employees whose remuneration was £50,000 or more, in bands of £5,000, is shown below, excluding senior employees. Remuneration includes all amounts paid to an employee, including the taxable value of expenses.

Including termination payments	Number of employees					
	2010/11			2011/12		
	Schools	Other	Total	Schools	Other	Total
£50,000 - £54,999	267	144	411	231	127	358
£55,000 - £59,999	180	124	304	187	114	301
£60,000 - £64,999	135	50	185	126	32	158
£65,000 - £69,999	50	69	119	65	57	122
£70,000 - £74,999	31	40	71	23	40	63
£75,000 - £79,999	15	15	30	16	10	26
£80,000 - £84,999	15	16	31	9	13	22
£85,000 - £89,999	15	12	27	6	9	15
£90,000 - £94,999	5	18	23	7	-	7
£95,000 - £99,999	3	10	13	6	6	12
£100,000 - £104,999	3	9	12	1	9	10
£105,000 - £109,999	1	5	6	2	1	3
£110,000 - £114,999	1	3	4	-	2	2
£115,000 - £119,999	1	1	2	-	2	2
£120,000 - £124,999	1	2	3	-	2	2
£125,000 - £129,999	-	1	1	-	4	4
£130,000 - £134,999	-	2	2	-	1	1
£135,000 - £139,999	-	1	1	-	-	-
£140,000 - £144,999	-	3	3	-	-	-
£145,000 - £149,999	-	2	2	-	-	-
	723	527	1,250	679	429	1,108

Excluding termination payments	Number of employees					
	2010/11			2011/12		
	Schools	Other	Total	Schools	Other	Total
£50,000 - £54,999	266	156	422	229	116	345
£55,000 - £59,999	180	125	305	186	97	283
£60,000 - £64,999	134	41	175	124	27	151
£65,000 - £69,999	49	54	103	64	47	111
£70,000 - £74,999	31	31	62	23	37	60
£75,000 - £79,999	15	13	28	16	8	24
£80,000 - £84,999	15	14	29	9	12	21
£85,000 - £89,999	15	4	19	6	3	9
£90,000 - £94,999	5	3	8	6	-	6
£95,000 - £99,999	3	3	6	6	4	10
£100,000 - £104,999	3	3	6	1	4	5
£105,000 - £109,999	1	3	4	1	1	2
£110,000 - £114,999	1	-	1	-	2	2
£115,000 - £119,999	1	-	1	-	-	-
£120,000 - £124,999	1	1	2	-	1	1
	720	451	1,171	671	359	1,030

**23b Senior employees' remuneration**

This statement covers the remuneration of Chief Officers

Senior Employees 2010/11	Salary, (Including fees and allowances)	Other emoluments	Benefits in Kind	Compensation for Loss of Office (see note i)	Pension contribution	Total remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive Andrew Smith	207,372	-	-	-	39,608	246,980
Director of Children's Services and Deputy Chief Executive John Coughlan	161,651	7,752	-	-	32,356	201,759
County Treasurer Jon Pittam (to 8 June 2010)	33,637	-	41	-	5,691	115,130
Carolyn Williamson (from 17 August 2010)	96,667	-	-	-	18,463	
Director of Environment (Acting prior to 10 November 2010)	138,876	-	-	-	26,525	165,401
Director of Economic Development (to 31 March 2011)	145,593	-	57	79,582	27,808	253,040
Director of Property, Business and Regulatory Services	138,876	-	-	-	26,525	165,401
Director of Adult Services	134,910	-	49	-	25,768	160,727
Director of Culture, Communities and Rural affairs (to 31 March 2011)	124,533	-	-144	66,876	23,786	215,051
Director of Human resources	124,533	-	-	-	23,786	148,319

- i Redundancy payments were made to two senior officers, they did not receive the enhanced payments made to other staff under the County Council's voluntary redundancy scheme. The post holders' payments were based on actual pay, with the number of weeks' pay calculated in accordance with the statutory scheme. In these two cases, the redundancy payments are more than offset by savings in the salary budget, which would otherwise have been paid to the employees until they reached the retirement age of 60.

Senior employees 2011/12	Salary, (Including fees and allowances)	Other emoluments	Benefits in Kind	Compensation for Loss of Office	Pension contribution	Total remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive Andrew Smith	207,372	-	-	-	27,166	234,538
Director of Children's Services and Deputy Chief Executive John Coughlan	167,734	-	-	-	21,973	189,707
County Treasurer Carolyn Williamson	155,000	-	-	-	20,305	175,305
Director of Economy, Transport and Environment	138,876	-	-	-	18,193	157,069
Director of Community, Culture and Business Services	138,876	-	-	-	18,193	157,069
Director of Adult Services	134,910	-	-	-	17,673	152,583
Director of Human resources	124,533	-	-	-	16,314	140,847

**23c Termination agreements**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

**Schools 2010/11**

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total redundancy costs in each band £
£0 - £20,000	141	6	147	598,440
£20,001 - £40,000	6	-	6	145,146
£40,001 - £60,000	-	-	-	-
£60,001 +	-	-	-	-
	<u>147</u>	<u>6</u>	<u>153</u>	<u>743,586</u>

**Non schools 2010/11**

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total redundancy costs in each band £
£0 - £20,000	60	180	240	1,938,962
£20,001 - £40,000	2	137	139	4,045,040
£40,001 - £60,000	-	61	61	2,752,368
£60,001 +	-	12	12	917,888
	<u>62</u>	<u>390</u>	<u>452</u>	<u>9,654,258</u>

**Schools 2011/12**

Exit package cost band	Number of Compulsory Redundancies	Number of other departures	Total number of exit packages by cost band	Total redundancy costs in each band £
£0 - £20,000	231	5	236	1,084,402
£20,001 - £40,000	15	-	15	392,578
£40,001 - £60,000	-	-	-	-
£60,001 +	-	-	-	-
	<u>246</u>	<u>5</u>	<u>251</u>	<u>1,476,980</u>

**Non schools 2011/12**

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total redundancy costs in each band £
£0 - £20,000	50	661	711	5,691,777
£20,001 - £40,000	1	146	147	3,925,792
£40,001 - £60,000	-	20	20	970,989
£60,001 +	-	2	2	127,936
	<u>51</u>	<u>829</u>	<u>880</u>	<u>10,716,494</u>

## 24 External Audit fees

Fees charged by the Audit Commission to the County Council can be analysed as follows:

	2010/11 £000	2011/12 £000
Code of Audit Practice	255	238
Grant Claims	4	7
National Fraud Initiative	2	2
	<b>261</b>	<b>247</b>

## 25 Dedicated Schools Grant

The Council's expenditure on schools is funded by grants from the Department for Education DfE, primarily the Dedicated Schools Grant (DSG).

DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes central expenditure covering education provision and a restricted range of services provided on an authority-wide basis and the Individual Schools Budget (ISB), which is divided into a budget share for each school. Overspends and underspends on the two elements must be accounted for separately.

Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011/12 as issued by the DfE on 19 March 2012			-738,626
Brought forward from 2010/11 as agreed with DCSF			-22,051
Carry forward to 2012/13 agreed in advance with the Schools Forum			20,885
<b>Agreed budgeted distribution in 2011/12</b>	-73,045	-666,747	-739,792
Actual central expenditure	73,045		73,045
Actual ISB deployed to schools		666,747	666,747
Local authority contribution for 2011/12	-		-
Carry forward to 2012/13	-	-	-
Carry forward to 2012/13 agreed in advance with the Schools Forum (as above)	-	-	-20,885
<b>Total carry forward</b>			<b>-20,885</b>

## 26 Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2010/11 £000	2011/12 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non-ringfenced Government grants	-87,790	-56,997
Capital Grants and Contributions:		
Social Care IT Infrastructure Grant	-322	-
Mental Health Grant	-290	-
Social Care Reform Grant	-569	-
Improving the Home Care Environment	-	-118
Department of Health Single Capital Pot	-731	-
Common Assessment Framework	-705	-495
Community Capacity Building	-	-2,417
Waste Performance and Efficiency Grant	-840	-
Local Transport Capital Block Funding Grant	-1,113	-27,620
New Growth Point Fund Grant	-175	-
Communities Infrastructure Fund Grant	-10,729	-3,765
Winter Damage Grant	-	-6,017
Transport for South Hampshire Grant	-	-500
Other Highways, Roads and Transport Grants	-2,491	-768
Havant Public Service Village Grant	-4,230	-
Bordon Eco Town Grant	-1,035	-
Safe and Strong Communities Grant	-179	-
Standard's Fund	-42,320	-19,857
Sure Start and Early Years Grant	-17,332	-
Capital Maintenance Grant	-	-23,952
Basic Needs Grant	-	-18,462
Young People's Learning Agency Capital Works Grant	-1,015	-155
Youth Capital Fund	-466	-
Aiming High for Disabled Children	-1,277	-825
Havant Academy	-	-6,346
Other Children's Services and Education Grants	-479	-3,613
Co-Location Funding	-2,266	-3,573
Lottery Funding	-251	-54
Aiming High Funding	-311	-
Other cultural services funding	-219	-7
Developer's contributions	-6,498	-12,271
Other contributions	-1,414	-853
Contributions from other Local Authorities	-4,716	-5,923
<b>Less: Capital income used to fund revenue expenditure under statute</b>	<b>12,541</b>	<b>18,896</b>
<b>Total</b>	<b>(177,222)</b>	<b>(175,692)</b>

**Credited to services**

Supporting People Care Grant	-382	-
HIV Grant	-276	-
Social Care Reform Grant	-4,490	-
Learning Disabilities Campus Programme Grant	-3,728	-
Stroke Carers Grant	-145	-
Handy Person Grant	-220	-
Learning Disability / Health Reform Grant	-	-41,858
Warm Homes Health People Grant	-	-196
Drug Interventions Programme Grant	-	-213
Other Adult Services Grants	-133	-20
PFI Street Lighting Grant	-8,979	-9,373
Department for Transport Grant	-	-38
Bikeability Training Grant	-252	-274
School Travel Plan Grant	-222	-391
Water & Flood Management Grant	-	-88
Anti-Social Behaviour Grant	-44	-
Safer and Stronger Communities Grant	-	-95
Section 31 Flood Management Grant	-	-190
Support for Community Transport Grant	-	-539
Local Services Support Grant	-	-2,064
New Homes Infrastructure Grant	-	-1,217
School Meals Grant	-1,244	-986
Dedicated School's Grant	-709,495	-741,868
Standard's Fund Grant	-66,481	-7,255
Pathfinder Grant	-	-80
Additional Schools Grant	-35,076	-575
Early Intervention Grant	-	-38,357
MOD Support Fund	-	-242
Sure Start and Early Years Grant	-27,102	-
Aiming High for Disabled Children Grant	-4,661	-
14-19 Diploma Grant	-2,373	-72
Unaccompanied Asylum Seeking Children Grant	-920	-745
Youth Opportunity Fund	-624	-
Family Intervention Projects	-619	-
EU Milk Subsidy	-181	-210
Targeted Mental Health in Schools Grant	-161	-
Pupil Premium grant	-	-8,916
Contact Point Grant	-116	-
Young People's Learning Agency Grant	-15,544	-10,848
Music Education Grant	-	-1,476
Other Children's Services and Education Grants	-544	-375
Museums, Libraries & Archives Council Funding	-2,851	-1,576
Heritage Lottery Fund	-209	-150
Arts Council Funding	-10	-15
Other Cultural Grants	-207	-75
Other Countryside Grants	-258	-294
Developer's Contributions	-1,956	-649
<b>Add: Capital income used to fund revenue expenditure under statute</b>	<b>-12,541</b>	<b>-18,896</b>
<b>Total</b>	<b>(902,044)</b>	<b>(890,216)</b>

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the condition is not met. The balances at year end are as follows:

	31 March 2011 £000	31 March 2012 £000
<b>Capital grants receipts in advance</b>		
Improving Care Home Environment for Older People Grant	-118	-
Common Assessment Framework Grant	-1,858	-1,388
Standards Fund	-34,475	-13,333
Pot Hole Grant	-6,017	-
Bordon Eco Town Grant	-220	-214
Havant Public Service Village Grant	-631	-
Transport Support Grant	-12	-12
Co-Location Fund	-3,573	-
Other countryside grants (Lepe)	-81	-21
Other cultural grant (Whitely footpath)	-5	-
Devolved Formula Capital	-	-3,927
BSF Havant Academy Grant	-	-832
Department for Transport Grant	-	-4,285
<b>Total</b>	<b>(46,990)</b>	<b>(24,012)</b>

#### Revenue grants receipts in advance

Dedicated School's Grant	-22,051	-20,885
Standard's Fund	-6,662	-
Childcare Strategy Grant	-174	-
Children's Workforce Development Council	-	-1,499
Other Children's Services and Education Grants	-193	-94
Warm Homes Health People Fund	-	-143
Flood management	-190	-120
Single Farm Payments European Grant	-	-557
Bordon Rail Link Study Grant	-53	-15
Support for Community Transport Services Grant	-270	-
Eco Towns - project funding	-	-684
Other Transport Grants	-8	-
Other Planning Grants	-17	-
Museums, Libraries and Archives Council Funding	-26	-8
Young People's Learning Agency Grant	-1,431	-1,241
Rural Payments Agency	-115	-92
Other Countryside Grants	-238	-154
Future Jobs Fund	-404	-
SHIOW funding	-	-908
Arts Council Funding	-74	-84
Other Cultural Grants	-142	-105
<b>Total</b>	<b>(32,048)</b>	<b>(26,589)</b>

## 27 Related party transactions

The Authority is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosing these shows the extent to which the council 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

### Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing 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. Grants received from government departments are set out in the subjective analysis in note 19. Grant receipts are shown in note 26.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in note 22 . Before every decision making meeting, members are required to disclose any conflicts of interest. There were 20 related party transactions totalling £16,737.34 arising from disbursements from members' devolved budgets. All such payments were counter signed by a member other than the budget-holding member.

### Officers

There were no related-party transactions involving chief officers of the Council. Details of senior officer remuneration are given in note 23b.

## Other Public Bodies

The County Council administers the Hampshire Pension Fund on behalf of its non-teaching employees, those of other local authorities in the county area and 234 other contributing scheduled and admitted bodies (198 in 2010/11).

Until 30 September 2010 the Pension Fund invested its surplus cash balances jointly with the County Council's to gain the benefits of scale. Interest was paid to the Pension Fund for the period 1 April to 30 September 2010 based on the actual rate of interest earned.

From 1 October 2010, the Pension Fund has operated a separate bank account and invested surplus cash balances in accordance with its treasury management strategy.

The County Treasurer is also the appointed Treasurer of the Hampshire Police Authority and Hampshire Fire and Rescue Authority. The Hampshire Police Authorities surplus cash balances have been separately invested from those of the County Council's since December 2010. Interest was paid to the Hampshire Police Authority for the period 1 April to 2nd December 2010 at the average monthly seven day rate.

Hampshire Fire and Rescue Authority pools its surplus cash balances with the County Council and is paid interest at the prevailing base rate.

Transactions with these related parties are shown below:

	2010/11 £000	2011/12 £000
<b>Pension Fund</b>		
Interest paid	201	-
Administration charge	-2,415	-2,504
<b>Hampshire Police Authority</b>		
Interest paid	45	-
<b>Hampshire Fire and Rescue Authority</b>		
Interest (received)/paid	-11	35
Temporary investments/borrowing 31 March	-2,550	-2,068

## 28 Capital financing

The total amount of capital expenditure incurred in the year is shown in the table (including the value of assets acquired under finance leases), 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £000	2011/12 £000
Opening capital financing requirement	714,945	747,584
Capital spending on fixed assets	175,894	137,959
Revenue expenditure funded by capital under statute	20,438	23,738
	<hr/> 911,277	<hr/> 909,281
Funded by:		
Capital receipts	-13,030	-6,698
Grants and other income	-102,717	-102,609
Revenue		
- main contribution	-10,636	-42,545
- reserves	-5,471	-3,543
Minimum revenue provision	-31,839	-33,871
	<hr/> 747,584	<hr/> 720,015
<b>Closing capital financing requirement</b>	<b>747,584</b>	<b>720,015</b>
Explanation of movements in year		
Increase/decrease (-) in borrowing (supported by government financial assistance)	12,994	-20,742
Increase/decrease (-) in borrowing (unsupported by government financial assistance)	10,691	-15,550
Increase/decrease (-) in borrowing related to finance leases	-	-
Increase/decrease (-) in borrowing related to PFI/PPP contracts	8,954	8,723
	<hr/> 32,639	<hr/> -27,569
<b>Increase/decrease (-) in Capital Financing Requirement</b>	<b>32,639</b>	<b>-27,569</b>

**29a Leases - operating leases - County Council as lessee**

Some vehicles, items of equipment and property are obtained by entering into operating leases.

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

	2010/11			2011/12		
	Other land and buildings £000	Vehicles, plant and equipment £000	Total £000	Other land and buildings £000	Vehicles, plant and equipment £000	Total £000
Not later than one year	3,281	3,700	6,981	3,092	2,399	5,491
Later than one year and not later than five years	9,955	4,632	14,587	8,754	2,049	10,803
Later than five years	14,020	38	14,058	12,711	7	12,718
<b>Total payments</b>	<b>27,256</b>	<b>8,370</b>	<b>35,626</b>	<b>24,557</b>	<b>4,455</b>	<b>29,012</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/11 £000	2011/12 £000
Minimum lease payments	8,031	6,415
Contingent rents	-	-
(Sublease payments receivable)	-518	-446
<b>Total net expenditure</b>	<b>7,513</b>	<b>5,969</b>

**29b County Council as lessor**

The County Council leases out property under operating leases for the provision of community services, such as community centres and for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2010/11	2011/12
	£000	£000
Not later than one year	6,387	3,486
Later than one year and not later than five years	12,553	7,352
Later than five years	48,330	45,887
	<b>67,270</b>	<b>56,725</b>

**29c Leases - Finance leases**

At 31 March 2012, the County Council has not taken or granted any material finance leases.

## 30 PFI and Service Concessions

### Project Integra

An existing contract for waste management meets the definition of a service concession. The contract with Veolia Environmental Services Hampshire (VESH) is jointly administered by the County Council and Portsmouth and Southampton unitary authorities. The contract began in January 1996 and runs until 2024/25. The contract includes a provision allowing the County Council to extend the contract by a period of up to 10 years from 2024/25.

Through a side agreement, Southampton and Portsmouth City Councils commit to paying a proportion of the costs of the scheme, which is broadly based on the proportion of waste contributed by each of the partner Councils.

The contract has three phases. During phases 1 and 2 the contractor planned, financed and constructed the three Energy Recovery Facilities, two Material Reprocessing Facilities and three composting sites. The contract is currently in Phase 3 covering the provision of waste disposal services in relation to the newly constructed facilities ending in 2024/25. The contract price mechanism is structured with an annual re-pricing each January linked to the retail price index in the previous October and a step-change increase in the contract price midway through the contract. There have been no major variations to the contract or additional investment in facilities during the 2011/12 financial year.

For sites built on County Council land the contract requires their transfer to the County Council at the end of the contract. Other sites on land contributed by Portsmouth or Southampton Councils will transfer to them at contract end. Contractor or third party owned sites may be acquired at contract end through assignment of leases, or options to purchase as negotiated at the time.

The County Council's share of the waste disposal assets constructed under the contract are now included in the balance sheet together with a deferred liability to pay for the assets over the life of the contract. The movement in the asset values during the year were as follows

	2010/11	2011/12
	£000	£000
<b>Gross book value</b>		
At 1 April	95,227	95,227
Additions	-	-
Disposals	-	-
Revaluations	-	-
<b>Gross book value at 31 March</b>	<b>95,227</b>	<b>95,227</b>
<b>Depreciation</b>		
At 1 April	-11,276	-16,914
Depreciation for the year	-5,638	-5,638
Impairments	-	-
<b>Depreciation at 31 March</b>	<b>-16,914</b>	<b>-22,552</b>
<b>Net book value at 1 April</b>	<b>83,951</b>	<b>78,313</b>
<b>Net book value at 31 March</b>	<b>78,313</b>	<b>72,675</b>

The movement in the deferred liability was:

	31 March 2011	31 March 2012
	£000	£000
Balance brought forward 1 April	-85,525	-82,071
Principal repayment in the year	3,454	3,730
<b>Balance at 31 March</b>	<b>-82,071</b>	<b>-78,341</b>
Finance lease repayable in one year	-3,730	-4,025
deferred liability	-78,341	-74,316
<b>Balance at 31 March</b>	<b>-82,071</b>	<b>-78,341</b>

The waste management contract has 14 years to run. The expected payments are shown below.

	Principal repayment £000	Interest £000	Service Charge £000	Total £000
Next year	4,025	6,270	39,699	49,994
Years two to five	19,602	21,578	179,515	220,695
Years six to 10	34,722	16,753	266,249	317,724
Years 11 to 14	19,992	2,894	166,414	189,300
	<b>78,341</b>	<b>47,495</b>	<b>651,877</b>	<b>777,713</b>

## The South Coast Street Lighting PFI

The County Council has one PFI contract which is for street lighting. This came into effect from the financial year 2010/11. The South Coast Street Lighting PFI project was procured in partnership between Hampshire County Council, Southampton City Council and West Sussex County Council together with the successful service provider, Tay Valley Lighting. Each council has its own separate contract to deliver individualised lighting requirements under a standard contractual framework.

Through the contract, Hampshire County Council is replacing some 78,000 of its 132,000 street lighting columns and modernising the remaining 54,000 lanterns in order to improve energy efficiency, in addition other items of illuminated street furniture such as signs are being replaced or upgraded over a five year core investment period. The long-term contract with Tay Valley Lighting (Hampshire) will run for 25 years, from 1 April 2010, and will also provide for the ongoing maintenance of the council's street lighting network running until 2035/36.

Built into the contract is the agreement that, upon the conclusion of the 25 year term, the new and enhanced street lights are expected to be in a good state of repair which would reasonably see them lasting for 5 years after the end of the contract, at that time the risks relating to the apparatus then pass back to the Authority.

As part of the PFI contract a Remote Monitoring System (RMS) will be incorporated into every lantern which allows the street lighting levels to be controlled centrally. As lanterns are replaced during the 5 year investment period at the beginning of the contract, the necessary devices for using the RMS are placed within the new lanterns. It is anticipated that this will allow the Council to make efficiencies on electricity costs and vary light outputs as necessary.

An annual re-pricing review is undertaken on the anniversary of the start of the contract, 1 April, and this is linked to retail price index. Over the first 5 years of the contract (the investment period) the annual cost of the contract reflects the investment programme which steadily rises until it reaches a peak at year 6 and then stabilises. From year 6 to year 25 the annual cost is determined by inflation and amendments to the inventory. No major changes to the contract occurred during the 2011/12 financial year.

Termination clauses are built into the contract documents under clauses 40 to 45 of the project agreement, there are no options for contract renewal.

The movement in the asset values were as follows:

	2010/11	2011/12
	£000	£000
<b>Gross book value</b>		
At 1 April	-	14,741
Additions	14,741	15,104
Disposals	-	-
Revaluations	-	-
<b>Gross book value at 31 March</b>	<b>14,741</b>	<b>29,845</b>
<b>Depreciation</b>		
At 1 April	-	-
Depreciation for the year	-	-491
Impairments	-	-
<b>Depreciation at 31 March</b>	<b>-</b>	<b>-491</b>
<b>Net book value at 1 April</b>	<b>-</b>	<b>14,741</b>
<b>Net book value at 31 March</b>	<b>14,741</b>	<b>29,354</b>

The movement in the deferred liability was:

	31 March	31 March
	2011	2012
	£000	£000
Balance brought forward 1 April	-	-12,408
Principal repayment in the year	2,333	2,651
Capital expenditure incurred in the year	-14,741	-15,104
<b>Balance at 31 March</b>	<b>-12,408</b>	<b>-24,861</b>
Finance lease repayable in one year	-2,205	-2,186
deferred liability	-10,203	-22,675
<b>Balance at 31 March</b>	<b>-12,408</b>	<b>-24,861</b>

The street lighting contract has 23 years to run. The expected payments are shown below:

	Principal repayment £000	Interest £000	Service Charge £000	Total £000
Next year	2,186	4,013	9,764	15,963
Years two to five	11,514	27,336	27,343	66,193
Years six to 10	20,174	31,594	36,694	88,462
Years 11 to 15	27,112	24,656	43,828	95,596
Year 16 to 20	36,436	15,333	51,899	103,668
Year 21 to 23	27,629	3,432	35,450	66,511
	<u>125,051</u>	<u>106,364</u>	<u>204,978</u>	<u>436,393</u>

A PFI grant of £9 million was received from the Department of Transport to the County Council in 2011/12 with a balance of £216 million due to be received over the remainder of the contract. This grant is expected to be applied to cover the capital and financing costs built into the annual fee.

Energy for street lighting is provided through a separate contract. Estimated costs over the remainder of the contract is expected to be £95 million.

### 31 Undischarged Obligations

#### **Hampshire Public Service Network**

A contract for Hampshire Public Service Network2 (HPSN2) has been entered onto with NTL Telewest. Building on the foundation of the existing HPSN service. HPSN2 will offer improved data, voice and service networks for major partners and affordable solutions for town and parish councils and up to 800 schools. The contract has an initial period of seven years, with an option to extend for a further 3 years. At 31 March 2012 the payments remaining under the contract are estimated to be £7.6m.

## 32 Pensions

As part of the terms and conditions of employment of its staff, the Council provides retirement benefits. These will be paid only when employees retire but (in accordance with IAS 19) the Council must account for the commitments at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

- a) The Teachers' Pension Scheme for teachers
- b) The Local Government Pension Scheme (LGPS) for other employees

### 32a Teachers' Pension Scheme

This is a defined benefit scheme administered by the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is unfunded so the pensions of past employees are paid from current revenues. The DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. However, the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. So for the purposes of this Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme.

In 2011/12 total employer's contributions were £44.91 million representing 14.1% of pensionable pay (£50.91 million representing 14.1% of pensionable pay in 2010/11).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 32c

### 32b Local Government Pension Scheme

This is a funded defined benefit scheme, administered by the Council. Employers and employees pay contributions into a fund at a level estimated to balance pension liabilities with investment assets. Enhanced pensions awarded by the Council are described as unfunded benefits. This is because they are not funded by the assets of the Pension Fund but by the Council when they are paid. In 2011/12, Pension Fund assets and liabilities have been included in the Balance Sheet based on a formal actuarial valuation for 31 March 2010. This valuation has been updated using the assumptions below

**Principal financial assumptions**

	2010/11 % per year	2011/12 % per year
Rate of discount for scheme liabilities - funded pensions	5.4	4.7
Rate of discount for scheme liabilities - unfunded pensions	5.5	4.6
Rate of increase in salaries	4.95	4.8
Rate of increase in pensions in payment - funded pensions	2.55	2.3
Rate of increase in pensions in payment - unfunded pensions	2.45	2.1
Rate of increase in deferred pensions	2.55	2.3
Proportion of employees opting to take a commuted lump sum:		
for pre 1 April 2008 service	25	25
for post 1 April 2008 service	75	75
RPI inflation - funded pensions	3.45	3.3
RPI inflation - unfunded pensions	3.35	3.1
CPI inflation - funded pensions	2.55	2.3
CPI inflation - unfunded pensions	2.45	2.1

**Principal demographic assumptions**

Post retirement mortality	2010/11	2011/12
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<b>Men</b>		
Base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a longterm rate of improvement of 1.25% p.a.	CMI_2009 with a longterm rate of improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	23.8	23.9
Future lifetime from age 65 (currently aged 45)	25.6	25.6

<b>Women</b>		
Base table	Standard SAPS Normal Health Light Amounts	Standard SAPS Normal Health Light Amounts
Scaling to above base table rates	100%	100%
Improvements to base table rates	CMI_2009 with a longterm rate of improvement of 1.25% p.a.	CMI_2009 with a longterm rate of improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	24.8	24.9
Future lifetime from age 65 (currently aged 45)	26.7	26.8

**Expected return on assets**

The Council employs a building block approach in deciding the rate of return on Fund assets. It studies historical markets, and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2012.

	2010/11 % per year	2011/12 % per year
Rate of return on equities (shares)	8.4	8.1
Rate of return on Government bonds	4.4	3.1
Rate of return on property	7.9	7.6
Rate of return on corporate bonds	5.1	3.7
Rate of return on cash	1.5	1.8
Rate of return on other assets (hedge funds, futures etc.)	8.4	8.1
Average long-term expected rate of return	7.1	6.4

The actual return on scheme assets in the year was £76.09 million (£62.1 million in 2010/11)

**32c Transactions relating to pension benefits**

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement during the year:

	2010/11 £000	2011/12 £000
<b>Included in the Comprehensive Income and Expenditure Statement:</b>		
Current service cost of funded LAPS pensions	63,140	51,510
Charge to non-distributed costs for early retirement in the year (note i)	-240,355	3,762
Settlement costs	-	-6,080
Interest cost on pension liabilities		
LGPS funded liabilities	104,610	106,390
LGPS unfunded liabilities	1,450	1,340
Teachers' unfunded liabilities	2,010	1,880
	<u>108,070</u>	<u>109,610</u>
Expected return on Pension Fund assets	-78,930	-89,840
<b>Total post employment benefits charges to the surplus/deficit on the provision of services</b>	<b>-148,075</b>	<b>68,962</b>
actuarial losses	18,770	226,020
<b>Total post employment benefits charges to the Comprehensive Income and Expenditure Statement</b>	<b>-129,305</b>	<b>294,982</b>
<b>Movement in reserves statement</b>		
Reversal of net changes made to the surplus/deficit for the provision of services for post employment benefits in accordance with the Code	209,370	-224,290
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to the Added years and early retirement cash flows in the year:		
LGPS	-10,388	-5,291
Teachers	-2,678	-2,730
	<u>129,305</u>	<u>-294,982</u>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £226 million.

note i - Impact of the change during 2010/11 to the basis on which the Government proposes

**32d Changes to the present value of liabilities during the accounting period**

Period ended 31 March 2012	LGPS funded £000	LGPS Unfunded £000	Teachers' Unfunded £000	Total £000
<b>Opening present value of liabilities</b>	-1,967,590	-25,340	-35,490	<b>-2,028,420</b>
Current service cost	-51,510	-	-	<b>-51,510</b>
Interest cost	-106,390	-1,340	-1,880	<b>-109,610</b>
Contributions by participants	-21,050	-	-	<b>-21,050</b>
Actuarial gains/(losses) on liabilities	-207,510	-2,100	-2,660	<b>-212,270</b>
Net benefits paid out (note i)	74,230	1,970	2,720	<b>78,920</b>
Past service gain	-6,780	-	-	<b>-6,780</b>
Settlements (note ii)	14,700	-	-	<b>14,700</b>
<b>Closing present value of liabilities</b>	<b>-2,271,900</b>	<b>-26,810</b>	<b>-37,310</b>	<b>-2,336,020</b>
Period ended 31 March 2011	LGPS funded £000	LGPS Unfunded £000	Teachers' Unfunded £000	Total £000
<b>Opening present value of liabilities</b>	-2,074,760	-29,090	-40,430	<b>-2,144,280</b>
Current service cost	-63,140	-	-	<b>-63,140</b>
Interest cost	-104,610	-1,450	-2,010	<b>-108,070</b>
Contributions by participants	-23,520	-	-	<b>-23,520</b>
Actuarial gains/(losses) on liabilities	-3,740	870	900	<b>-1,970</b>
Net benefits paid out (note i)	63,450	1,940	2,690	<b>68,080</b>
Past service cost	238,730	2,390	3,360	<b>244,480</b>
Settlements (note ii)	-	-	-	<b>0</b>
<b>Closing present value of liabilities</b>	<b>-1,967,590</b>	<b>-25,340</b>	<b>-35,490</b>	<b>-2,028,420</b>

note i - Consists of net cash flow out of the Fund in respect of the employer, excluding contributions and any death-in-service lump sums paid, and including an approximate allowance for the expected cost of death-in-service lump sums.

note ii - Settlements relate to the liabilities transferred to schools that have converted to academy status.

**32e Changes to the fair value of assets during the accounting period**

	31 March 2011 £000	31 March 2012 £000
<b>Opening fair value of assets</b>	<b>1,180,950</b>	<b>1,274,460</b>
Expected return on assets	78,930	89,840
Actuarial gains/(losses) on assets	-16,800	-13,750
Contributions by employer	71,310	69,020
Contributions by participants	23,520	21,050
Net benefits paid out (note i)	-63,450	-74,230
Settlements (note ii)	-	-8,620
<b>Closing fair value of assets</b>	<b>1,274,460</b>	<b>1,357,770</b>

note i - Consists of net cash flow out of the Fund in respect of the employer, excluding contributions and any death-in-service lump sums paid, and including an approximate allowance for the expected cost of death-in-service lump sums.

note ii - Settlements relate to the liabilities transferred to schools that have converted to academy status.

**32f Scheme History**

The Pension Fund's actuary assessed the share of the assets and liabilities of the Hampshire LGPS attributable to the Council and also the unfunded benefits of LGPS members and teachers. The actuary estimated that the following overall asset and liabilities for pension costs should be included in the balance sheet.

	31 March 2008 £000	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000	31 March 2012 £000
Present value of liabilities in the scheme:					
LGPS funded	-1,431,240	-1,523,940	-2,074,760	-1,967,590	-2,271,900
Unfunded Liabilities:					
LGPS	-26,770	-27,020	-29,090	-25,340	-26,810
Teachers	-36,280	-37,310	-40,430	-35,490	-37,310
	<b>-1,494,290</b>	<b>-1,588,270</b>	<b>-2,144,280</b>	<b>-2,028,420</b>	<b>-2,336,020</b>
Fair value of assets in the scheme	1,053,980	860,700	1,180,950	1,274,460	1,357,770
<b>Deficit</b>	<b>-440,310</b>	<b>-727,570</b>	<b>-963,330</b>	<b>-753,960</b>	<b>-978,250</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The net deficit reduces the net worth of the authority as recorded on the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- \* the deficit will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- \* finance is only required to be raised to cover discretionary (unfunded) benefits when the pensions are actually paid

The total contributions expected to be made to the LGPS by the council in the year to 31 March 2013 is £62.8 million. Expected contributions for discretionary benefits in the year to 31 March 2013 are £1 million.

The proportion of assets by category is shown below:

	31 March 2011 %	31 March 2012 %
Equities	63.4	55.1
Government bonds	23.3	27.0
Property	7.3	7.7
Corporate bonds	1.7	1.5
Cash	4.3	4.1
Other (hedge funds, currency holdings, futures)	-	4.6
	<b>100.0</b>	<b>100.0</b>

**32g Net actuarial gain/loss (-) on pensions**

The actuarial gains/loss (-) identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities at 31 March 2012:

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Difference between expected and actual return on assets	-98,040 -9.3%	-288,800 33.6%	239,540 20.3%	-16,800 -1.3%	-13,750 -1.0%
Difference between actuarial assumptions about liabilities and actual experience					
LGPS funded	29,220 2.0%	-5,870 -0.4%	16,660 0.8%	-26,750 -1.4%	-40,480 -1.8%
LGPS unfunded	-430 -1.6%	-220 -0.8%	1,320 4.5%	430 1.7%	-650 -2.4%
Teachers unfunded	- -	-400 -0	1,640 4.1%	240 0.7%	-630 -1.7%
<b>TOTAL</b>	<b>28,790 1.9%</b>	<b>-6,490 -0.4%</b>	<b>19,620 0.9%</b>	<b>-26,080 -1.3%</b>	<b>-41,760 -1.8%</b>
Changes in assumptions underlying the present value of pension liabilities					
LGPS funded	268,020 1.6%	23,690 1.6%	-449,550 -21.7%	23,010 1.2%	-167,030 -7.4%
LGPS unfunded	2,280 8.5%	-230 -0.9%	-3,640 -12.5%	440 1.7%	-1,450 -5.4%
Teachers unfunded	3,190 8.8%	-360 -1.0%	-5,080 -12.6%	660 1.9%	-2,030 -5.4%
<b>TOTAL</b>	<b>273,490 18.3%</b>	<b>23,100 1.5%</b>	<b>-458,270 21.4%</b>	<b>24,110 1.2%</b>	<b>-170,510 -7.3%</b>
<b>Net actuarial gain/loss (-)</b>	<b>204,240</b>	<b>-272,190</b>	<b>-199,110</b>	<b>-18,770</b>	<b>-226,020</b>

**33 Contingent liabilities**

The County Council self-insures and therefore handles all its own liability claims. The liabilities are uncertain but to cover them a provision is maintained for known liability claims, assessed at £7.8 million at 31 March 2012 (see note 16).

### 34 Trust funds

The Council has acted as sole trustee for 22 trust funds (23 in 2010/11) and as administrator for 12 other trust funds (12 in 2010/11). They include educational prize funds for financing improvements in education, social care and museum establishments, and musical and sports scholarship funds. The trusts are mainly invested in specialist pooled funds for charities and cash held on deposit with the County Council.

	Balance at 31 March 2011 £000	Income £000	Expenditure £000	Transfer of Trust £000	Balance at 31 March 2012 £000
<b>Sole trustee funds</b>					
<b>Educational trusts</b>					
Dayas Music Scholarship	-95	-5	1	-	-99
Michael Austin Harlick Memorial	-258	-13	8	-	-263
Mace Educational Trust	-113	-5	9	-	-109
Other	-16	-	-	-	-16
<b>Total</b>	<b>-482</b>	<b>-23</b>	<b>18</b>	<b>-</b>	<b>-487</b>
<b>Social Care trusts</b>					
Hampshire Mentally Ill Persons Holiday Organisation	-43	-	-	-	-43
Hampshire Old Industrial and Reformatory Schools	-69	-5	-	-	-74
Green Meadows Older Persons Home	-17	-1	-	-	-18
<b>Total</b>	<b>-129</b>	<b>-6</b>	<b>-</b>	<b>-</b>	<b>-135</b>
<b>Museums trusts</b>					
Allen Curtis Museum Trust	-23	-3	3	-	-23
Red House Museum Trust	-50	-4	4	-	-50
<b>Total</b>	<b>-73</b>	<b>-7</b>	<b>7</b>	<b>-</b>	<b>-73</b>
<b>Libraries trust</b>					
Julian Davies Foundation	-2	-	-	-	-2
<b>Other</b>					
Hillier Arboretum trust	-11	-44	45	-	-10
<b>Total - sole trustee trusts</b>	<b>-697</b>	<b>-80</b>	<b>70</b>	<b>-</b>	<b>-707</b>
<b>Administrator funds</b>					
The Eggars Grammar School Alton Site Foundation	-1,974	-82	9	-	-2,047
Hampshire Foundation for Young Musician	-68	-4	4	-	-68
Other	-26	-1	-	-	-27
Social care trusts	-6	-	-	-	-6
<b>Total administrator trusts</b>	<b>-2,074</b>	<b>-87</b>	<b>13</b>	<b>-</b>	<b>-2,148</b>
<b>Total trust funds</b>	<b>-2,771</b>	<b>-167</b>	<b>83</b>	<b>-</b>	<b>-2,855</b>