

Pension Fund Accounts Fund Account	See note	2010/11 £'000	2011/12 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	232,873	228,540
Transfers in from other pension funds	8	21,788	31,388
		254,661	259,928
Benefits	9	-181,765	-201,410
Payments to and on account of leavers	10	-13,224	-9,963
Administration expenses	11	-2,621	-2,632
		-197,610	-214,005
Net additions from dealings with members		57,051	45,923
Returns on investments			
Investment income	12	78,658	88,332
Taxes on income	13	-1,470	-855
Profits and losses on disposal of investments and changes in the market value of investments	15a	196,694	94,407
Investment management expenses	14	-10,048	-8,986
Net return on investments		263,834	172,898
Net increase in the net assets available for benefits during the year		320,885	218,821

Net Assets Statement		31 March 2011	31 March 2012
	See Note	£'000	£'000
Investment assets	15	3,397,656	3,582,683
Cash deposits	15	50,465	60,421
		3,448,121	3,643,104
Long term debtors	22	0	13,692
Investment liabilities	15	-6,768	-2,228
Current assets	20	126,389	130,521
Current liabilities	21	-9,322	-7,848
Net assets of the Scheme available to fund Benefits at the period end		3,558,420	3,777,241

Notes to the Pension Fund accounts

1. Description of Fund

The Hampshire Pension Fund (the 'Fund') is part of the Local Government Pension Scheme and is administered by Hampshire County Council. The County Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Hampshire Pension Fund Annual Report 2011/12 and the underlying statutory powers underpinning the Scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme to provide pensions and other benefits for pensionable employees of Hampshire County Council, Portsmouth and Southampton City Councils, the 11 district councils in Hampshire County, and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Pension Fund Panel, which is a committee of Hampshire County Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Hampshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 248 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Hampshire Pension Fund	31 March 2011	31 March 2012
Number of employers with active members	212	248
Number of employees in Scheme		
County Council	22,345	20,911
Other employers	25,906	24,722
Total	48,251	45,633
Number of pensioners		
County Council	13,242	14,163
Other employers	16,910	18,029
Total	30,152	32,192
Deferred pensioners		
County Council	20,736	22,587
Other employers	21,599	23,029
Total	42,335	45,616

The significant increase in employer organisations is due to a number of state schools converting to academy status during 2011/12, which are subsequently treated as separate employers to the County Council.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2012. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2010. During 2011/12, employer contribution rates for most employers ranged from 19.1% to 19.6% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Hampshire Pension Fund's website: <http://www3.hants.gov.uk/pensions>

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). This change took effect from 1 April 2011.

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section n below) to purchase Scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

- iv) **Property-related income**
Property-related income consists primarily of rental income. Properties held in the UK property portfolio are generally subject to leases with upward-only rent reviews every five years. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- v) **Movement in the net market value of investments**
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Net Assets Statement

h) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- i) **Market-quoted investments**
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Fixed interest securities**
Fixed interest securities are recorded at net market value based on their current yields.
- iii) **Unquoted investments**
The fair value of investments for which market quotations are not readily available is determined as follows:
 - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs
 - Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs
 - Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement
 - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager

- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with standardised methods developed by the British Venture Capital Association and European Venture Capital Association (who have subsequently harmonised their valuation guidelines into the International Private Equity and Venture Capital Valuation (IPEV) guidelines).
- iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
- v) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.
- vi) Freehold and leasehold properties
The properties were valued on 31 March 2012 by an external valuer, Paul Willis, BSc MRICS of Colliers International. The valuations were in accordance with the requirements of the Royal Institute of Chartered Surveyors' Valuation – Professional Standards and the International Valuation Standards. The valuation of each property was on the basis of fair value, as defined by the International Accounting Standards Board. All the properties are held for investment purposes and were valued on the assumption that the properties would be sold subject to any existing leases. The valuer's opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the investment manager using generally accepted option-pricing models with independent market data.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

l) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

n) Additional voluntary contributions

Hampshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund.

Prudential were appointed as a new additional voluntary contribution (AVC) provider in addition to Zurich with effect from October 2011. AVCs can also be paid to Equitable Life, but only if they are invested in its building society fund or for an additional death-in-service grant. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

4. Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. The convention for valuing unquoted private equities uses standardised methods developed by the British Venture Capital Association and European Venture Capital Association (who have subsequently harmonised their valuation guidelines into the International Private Equity and Venture Capital Valuation (IPEV) guidelines). The value of unquoted private equities at 31 March 2012 was £164 million (£150 million at 31 March 2011).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £460 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £50 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £120 million.
Debtors	At 31 March 2012, the Fund had a balance of sundry debtors of £65.1 million. A review of debtor balances suggested that an impairment of £0.008 million was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.008 million to be set aside as an allowance.
Private equity	Private equity investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £164 million. There is a risk that this investment may be under- or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the funds plus adjustments that the funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £43 million. There is a risk that this investment may be under- or overstated in the accounts. The custodian reports a tolerance of +/- 5% around the net asset values on which the hedge fund valuation is based. This equates to a tolerance of +/- £2 million.

6. Events after the Balance Sheet date

There have been no events since 31 March 2012, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

7. Contributions receivable

By category

	2010/11 £'000	2011/12 £'000
Employers	174,551	173,994
Members	58,322	54,546
Total	232,873	228,540

By authority

	2010/11 £'000	2011/12 £'000
Scheduled bodies	224,032	218,734
Admitted bodies	2,689	2,591
Community admission bodies	2,096	2,321
Transferee admission bodies	3,130	3,947
Resolution bodies	926	947
Total	232,873	228,540

8. Transfers in from other pension funds

	2010/11 £'000	2011/12 £'000
Group transfers	0	15,213
Individual transfers	21,788	16,175
Total	21,788	31,388

9. Benefits payable

By category

	2010/11 £'000	2011/12 £'000
Pensions	131,033	145,021
Commutation and lump sum retirement benefits	46,347	52,640
Lump sum death benefits	4,385	3,749
Total	181,765	201,410

By authority

	2010/11 £'000	2011/12 £'000
Scheduled bodies	175,887	194,815
Admitted bodies	2,835	2,896
Community admission bodies	1,391	1,992
Transferee admission bodies	716	1,034
Resolution bodies	936	673
Total	181,765	201,410

10. Payments to and on account of leavers

	2010/11 £'000	2011/12 £'000
Refunds to members leaving service	57	22
Payments for members joining state scheme	-18	-17
Group transfers	63	0
Individual transfers	13,122	9,958
Total	13,224	9,963

11. Administration expenses

	2010/11 £'000	2011/12 £'000
Pension administration costs	2,403	2,472
External audit fees	47	43
Internal audit fees	36	33
Actuarial fees	86	56
Other	49	28
Total	2,621	2,632

12. Investment income

	2010/11 £'000	2011/12 £'000
Fixed interest securities	6,166	5,849
Equity dividends	54,168	58,949
Pooled property investments	1,842	3,537
Pooled investments – unit trusts and other managed funds	905	1,016
Property	10,624	14,205
Interest on cash deposits	1,620	1,479
Alternative investment income	2,223	2,671
Stock lending	805	449
Other	305	177
Total	78,658	88,332

13. Taxes on income

	2010/11 £'000	2011/12 £'000
Withholding tax – fixed interest securities	17	13
Withholding tax – equities	1,453	842
Total	1,470	855

14. Investment management expenses

	2010/11 £'000	2011/12 £'000
Management fees	8,032	7,085
Property managers' expenses	1,219	1,140
Custodian fees	349	311
Actuary fees – investment consultancy	20	4
Other	428	446
Total	10,048	8,986

15. Investments

	Market value 31 March 2011 £'000	Market value 31 March 2012 £'000
Investment assets		
Fixed interest securities	170,157	175,963
Equities	2,011,143	1,736,856
Pooled investments	764,452	1,180,216
Pooled property investments	74,228	69,152
Alternative investments	185,603	206,874
Property	189,090	208,790
Derivative contracts:		
- Futures	199	425
- Forward currency contracts	2,647	4,258
- Purchased/written options	137	149
Cash deposits	50,465	60,421
Total investment assets	3,448,121	3,643,104
Investment liabilities		
Derivative contracts:		
- Futures	-229	-399
- Forward currency contracts	-6,074	-1,394
- Purchased/written options	-465	-390
- Spot foreign exchange contracts	0	-19
- Adjustment to variation margins	0	-26
Total investment liabilities	-6,768	-2,228
Net investment assets	3,441,353	3,640,876

a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2011	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	170,157	357,227	-357,838	6,417	175,963
Equities	2,011,143	618,065	-803,295	-89,057	1,736,856
Pooled investments	764,452	240,549	-6,201	181,416	1,180,216
Pooled property investments	74,228	5,482	-4,948	-5,610	69,152
Alternative investments	185,603	38,839	-25,330	7,762	206,874
Property	189,090	25,885	0	-6,185	208,790
	3,394,673	1,286,047	-1,197,612	94,743	3,577,851
Derivative contracts:					
- Futures	-30	12,867	-363	-12,448	26
- Forward currency contracts	-3,427	23,321	-26,851	9,821	2,864
- Purchased/written options	-328	3,649	-5,853	2,291	-241
	-3,785	39,837	-33,067	-336	2,649
Other investment balances:					
- Cash deposits	50,465				60,421
- Spot foreign exchange contracts	0				-19
- Adjustment to variation margin	0				-26
Net investment assets	3,441,353			94,407	3,640,876

	Market value 1 April 2010	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2011
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	155,063	190,649	-172,766	-2,789	170,157
Equities	1,823,228	642,889	-574,462	119,488	2,011,143
Pooled investments	714,368	4,390	-6,946	52,640	764,452
Pooled property investments	60,656	10,150	-26	3,448	74,228
Alternative investments	128,326	82,855	-33,190	7,612	185,603
Property	134,273	51,109	-7,462	11,170	189,090
	3,015,914	982,042	-794,852	191,569	3,394,673
Derivative contracts:					
- Futures	15	117	-235	73	-30
- Forward currency contracts	0	33,684	-40,298	3,187	-3,427
- Purchased/written options	11	1,231	-3,435	1,865	-328
	26	35,032	-43,968	5,125	-3,785
Other investment balances:					
- Cash deposits	98,098				50,465
Net investment assets	3,114,038			196,694	3,441,353

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the Fund, such as commissions, stamp duty and other fees.

b) Analysis of investments (excluding derivative contracts)

	31 March 2011 £'000	31 March 2012 £'000
Fixed interest securities		
UK		
Public sector quoted	8,142	5,637
Corporate quoted	11,927	8,491
Overseas		
Public sector quoted	98,749	115,050
Corporate quoted	51,339	46,785
	170,157	175,963
Equities		
UK		
Quoted	967,278	876,124
Overseas		
Quoted	1,043,865	860,732
	2,011,143	1,736,856
Pooled funds – additional analysis		
UK		
Fixed income unit trusts	727,018	880,867
Unit trusts	37,434	293,397
Overseas		
Unit trusts	0	5,952
	764,452	1,180,216
Pooled property investments	74,228	69,152
Alternative investments	185,603	206,874
Property	189,090	208,790
	448,921	484,816
	3,394,673	3,577,851

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

All of the derivative future and option contracts are exchange traded, in other words, none are 'over the counter' (OTC). The forward foreign currency contracts are all OTC contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

a) Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's portfolio is in foreign currency. To reduce the volatility associated with fluctuating currency rates, derivative contracts are used.

c) Options

The Fund wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market value 31 March 2011	Economic exposure	Market value 31 March 2012
		£'000	£'000	£'000	£'000
Assets					
Overseas fixed income futures	Less than one year	21,254	185	35,973	301
Overseas fixed income margined options	Less than one year	-10	14	0	0
Overseas cash futures	Less than one year	0	0	48,852	124
Total assets			199		425
Liabilities					
UK cash futures	Less than one year	54,913	-23	0	0
UK cash margined options	Less than one year	0	-5	0	0
Overseas fixed income futures	Less than one year	11,506	-200	-57,030	-399
Overseas fixed income margined options	Less than one year	1	-1	0	0
Total liabilities			-229		-399
Net futures			-30		26

Open forward currency contracts

At 31 March 2012, the Fund had open forward currency contracts in place with a net unrealised profit of £2.864 million.

Settlements	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		£'000		£'000		
Up to one month	USD	10,157	EUR	-7,379	207	0
Up to one month	USD	4,020	GBP	-2,528	0	-12
One to six months	AUD	8,795	GBP	-5,924	0	-248
One to six months	BRL	4,507	USD	-2,537	0	-58
One to six months	CAD	19,291	GBP	-12,216	0	-142
One to six months	EUR	3,915	GBP	-3,265	4	-5
One to six months	GBP	6,827	AUD	-10,142	281	0
One to six months	GBP	9,301	CAD	-14,631	144	0
One to six months	GBP	72,819	EUR	-87,548	40	-227
One to six months	GBP	18,362	JPY	-2,222,346	1,449	0
One to six months	GBP	623	NOK	-5,732	0	-5
One to six months	GBP	5,205	PLN	-26,498	0	-89
One to six months	GBP	145,086	USD	-229,368	1,487	-1
One to six months	IDR	25,080,195	USD	-2,738	0	-6
One to six months	KRW	3,162,424	USD	-2,777	2	0
One to six months	MYR	3,920	USD	-1,276	0	0
One to six months	NOK	5,440	GBP	-591	5	0
One to six months	PLN	1,294	GBP	-254	4	0
One to six months	SEK	18,300	GBP	-1,716	8	0
One to six months	SEK	39,243	NOK	-32,940	87	0
One to six months	USD	14,969	AUD	-14,185	270	0
One to six months	USD	9,144	BRL	-16,647	193	0
One to six months	USD	51,599	GBP	-32,856	0	-547
One to six months	USD	6,224	JPY	-508,991	42	-19
One to six months	USD	2,758	SEK	-18,300	3	0
One to six months	USD	2,866	TRY	-5,261	0	-35
One to six months	USD	2,996	ZAR	-23,143	32	0
Open forward currency contracts at 31 March 2012					4,258	-1,394
Net forward currency contracts at 31 March 2012						2,864
Prior year comparative:						
Open forward currency contracts at 31 March 2011					2,647	-6,074
Net forward currency contracts at 31 March 2011						-3,427

Purchased/written options

Investment underlying option contract	Expires	Put/call	Notional holding	Market value 31 March 2011	Notional holding	Market value 31 March 2012
			£'000	£'000	£'000	£'000
Assets						
Overseas fixed interest purchased	One to three months	Call	0	0	1	148
Overseas cash purchased	More than three months	Put	0	0	0	1
Overseas cash purchased	One to three months	Call	5,993	137	0	0
Total assets				137		149
Liabilities						
Overseas fixed interest written	One to three months	Put	0	-33	0	0
Overseas fixed interest written	One to three months	Call	-1	-227	-1	-390
Overseas cash written	One to three months	Call	-6,007	-205	0	0
Total liabilities				-465		-390
Net purchased/written options				-328		-241

Investments analysed by fund manager

	Market value 31 March 2011		Market value 31 March 2012	
	£'000	%	£'000	%
Aberdeen	775,993	21.8	873,622	23.1
Schroders	417,664	11.7	546,609	14.5
GLG Partners	225,967	6.4	0	0
AllianceBernstein	299,610	8.4	0	0
Newton	426,448	12.0	465,590	12.3
Legal & General	363,323	10.2	566,088	15.0
State Street	363,695	10.2	567,413	15.0
Western	167,300	4.7	183,247	4.9
CBRE Global Investors	203,501	5.7	221,020	5.8
Other	314,919	8.9	353,652	9.4
Total	3,558,420	100.0	3,777,241	100.0

All the above companies are registered in the United Kingdom.

Concentration of investments

During the year, no individual investment exceeded 5% of the total value of the Fund's net assets.

c) Stock lending

The LGPS (Management & Investment of Funds) Regulations 2009 allow the Fund to lend stock provided that the total value of the stock to be transferred does not exceed 25% of the total market value of the stock held within the Fund at any time.

The Fund lends stock to third parties under a stock-lending agreement with its custodian, Northern Trust. The total amount of stock on loan at the year-end was £109.474 million, and this value is included in the Net Assets Statement to reflect the Fund's continuing economic interest in the stock on loan. The table below summarises the value of stock lent out by the Fund:

	31 March 2011 £'000	31 March 2012 £'000
Equities – UK	36,424	52,980
Equities – overseas	35,365	38,718
Fixed interest – UK	787	6,485
Fixed interest – overseas	18,202	11,291
Total	90,778	109,474

As security for the stock on loan, the Fund received collateral at 31 March 2012 valued at £116.814 million. This represented 106.7% of the value of stock on loan and comprised 65% equities and 35% government fixed-interest bonds.

The income received from stock-lending activities was £0.449 million net of administrative fees for the year ending 31 March 2012 and is included in the 'Investment income' figure in the Pension Fund Account. This represents a significantly lower income figure than the £0.805 million net of administrative fees generated in 2010/11. The lower income is due to tax and regulatory changes in Germany which substantially reduced borrower demand for German equities, together with a change in equity mandates from segregated to pooled funds in early October 2011 resulting in a significantly lower amount of stock available to lend.

16. Financial instruments

a) Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2011			31 March 2012		
Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
Financial assets					
170,157			175,963		
2,011,143			1,736,856		
764,452			1,180,216		
74,228			69,152		
185,603			206,874		
189,090			208,790		
2,983			4,832		
	144,858			139,583	
	31,996			65,051	
3,397,656	176,854	0	3,582,683	204,634	0
Financial Liabilities					
-6,768			-2,228		
		-9,322			-7,848
-6,768	176,854	-9,322	-2,228	0	-7,848
3,390,888	176,854	-9,322	3,580,455	204,634	-7,848

investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2012	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	3,093,035	282,774	206,874	3,582,683
Loans and receivables	204,634			204,634
Total financial assets	3,297,669	282,774	206,874	3,787,317
Financial liabilities				
Financial liabilities at fair value through profit and loss		-2,228		-2,228
Financial liabilities at amortised cost	-7,848			-7,848
Total financial liabilities	-7,848	-2,228		-10,076
Net financial assets	3,289,821	280,546	206,874	3,777,241

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	2,945,752	266,301	185,603	3,397,656
Loans and receivables	176,854			176,854
Total financial assets	3,122,606	266,301	185,603	3,574,510
Financial liabilities				
Financial liabilities at fair value through profit and loss		-6,768		-6,768
Financial liabilities at amortised cost	-9,322			-9,322
Total financial liabilities	-9,322	-6,768		-16,090
Net financial assets	3,113,284	259,533	185,603	3,558,420

17. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Panel. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of

market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with WM Company plc, the Pension Fund has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

Asset type	Potential market movements (+/-)
UK bonds	7.7%
Overseas bonds	7.8%
UK equities	15.4%
Overseas equities	14.4%
Property	5.8%
Alternative investments	14.4%
Cash	0.0%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown overleaf):

Asset type	Value at 31 March 2012	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
UK bonds	894,995	7.7	963,910	826,080
Overseas bonds	167,787	7.8	180,874	154,700
UK equities	1,169,521	15.4	1,349,626	989,416
Overseas equities	860,732	14.4	984,677	736,787
Property	277,942	5.8	294,063	261,821
Alternative investments	209,478	14.4	239,644	179,312
Cash	60,421	0.0	60,421	60,421
Total assets	3,640,876		4,073,215	3,208,537

Asset type	Value at 31 March 2011	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
UK bonds	747,087	7.7	804,613	689,561
Overseas bonds	150,088	7.8	161,795	138,381
UK equities	1,004,712	15.4	1,159,437	849,986
Overseas equities	1,043,865	14.4	1,194,182	893,549
Property	263,318	5.8	278,590	248,046
Alternative investments	181,818	14.4	208,000	155,636
Cash	50,465	0.0	50,465	50,465
Total assets	3,441,353		3,857,082	3,025,624

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at the financial year end is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2011 £'000	31 March 2012 £'000
Cash and cash equivalents	94,393	79,162
Cash deposits	50,465	60,421
Fixed interest securities	897,175	1,062,782
Total	1,042,033	1,202,365

Interest rate risk sensitivity analysis

The Pension Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2012 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	-1% £'000
Cash and cash equivalents	79,162	792	-792
Cash deposits	60,421	604	-604
Fixed interest securities	1,062,782	10,628	-10,628
Total change in assets available	1,202,365	12,024	-12,024

Asset type	Carrying amount as at 31 March 2011 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	-1% £'000
Cash and cash equivalents	94,393	944	-944
Cash deposits	50,465	505	-505
Fixed interest securities	897,175	8,971	-8,971
Total change in assets available	1,042,033	10,420	-10,420

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GB pounds). The Fund holds both monetary and non-monetary assets denominated in currencies other than GB pounds.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2012 and as at the previous period end:

	Asset value at 31 March 2011 £'000	Asset value at 31 March 2012 £'000
Overseas quoted securities	1,043,865	860,732
Overseas unit trusts	0	5,952
Alternative investments	185,603	206,874
Overseas pooled property investments	74,228	69,152
Overseas public sector bonds (quoted)	98,749	115,050
Overseas corporate bonds (quoted)	51,339	46,785
Total overseas assets	1,453,784	1,304,545

In consultation with WM Company plc, the Pension Fund considers the likely volatility associated with foreign exchange rate movements to be 7%.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset value as at 31 March 2012	Change to net assets available to pay benefits	
	£'000	+7%	-7%
		£'000	£'000
Total change in assets available	1,304,545	91,318	-91,318

	Asset value as at 31 March 2011	Change to net assets available to pay benefits	
	£'000	+7%	-7%
		£'000	£'000
Total change in assets available	1,453,784	101,765	-101,765

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable

credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Pension Fund's credit criteria. The Pension Fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the Pension Fund invests an agreed percentage of its funds in the money markets to provide diversification. The money market funds chosen all have AAA rating from a leading ratings agency.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits. The Fund's cash holding under its treasury management arrangements at 31 March 2012 was £91.980 million (31 March 2011: £106.600 million). This was held with the following institutions:

	Rating	Balances as at 31 March 2011 £'000	Balances as at 31 March 2012 £'000
Money market funds			
Ignis	AAA	0	6,800
Prime Rate	AAA	0	5,000
RBS Global	AAA	1,600	0
Bank deposit accounts			
NatWest	A	30,000	15,180
HSBC	AA	0	5,000
Lloyds TSB	A	20,000	15,000
Santander UK	A+	30,000	15,000
Barclays	A	15,000	10,000
Nationwide Building Society	A+	10,000	10,000
Deposits with other local authorities			
Newcastle-upon-Tyne CC	-	0	10,000
Total change in assets available		106,600	91,980

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows.

All financial liabilities at 31 March 2012 are due within one year.

Refinancing risk

The key risk is that the Pension Fund will be bound to replace on maturity a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18. Funding arrangements

In line with the LGPS (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. The next valuation will take place as at March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 25 years from 1 April 2011 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2010 actuarial valuation, the Fund was assessed as 72% funded (77% at the March 2007 valuation). This corresponded to a deficit of £1,256 million (2007 valuation: £891 million) at that time.

The actuarial valuation has determined that the contribution rate for the scheduled bodies group of employers will remain unchanged at 19.1% over the three-year period ending 31 March 2014, and the employer contribution rate for the admission bodies group will increase in steps of 0.5% p.a. to 19.6% in 2011/12, 20.1% in 2012/13 and 20.6% in 2013/14.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service.

The main actuarial assumptions used for the March 2010 actuarial valuation were as follows:

Discount rate for periods

In service	
Scheduled bodies	6.80% a year
Admission bodies	6.25% a year
After leaving service	
Scheduled bodies	6.80% a year
Admission bodies	4.75% a year
Long dated fixed interest gilts	4.50% a year
Long dated index linked gilts	0.70% a year
Rate of price inflation (RPI)	3.80% a year
Rate of price inflation (CPI)	3.30% a year
Rate of general pay increases	5.30% a year
Rate of increase to pensions in payment	3.30% a year
Valuation of assets	market value

A 65 year old male pensioner in normal health is now assumed on average to live to 88.7 (rather than 86.2 at the previous valuation). And a 65 year old female pensioner in normal health is assumed on average to live to 89.7 (rather than 88.3).

Commutation assumption:

It is assumed that future retirees will take 25% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, using the same base data as the funding valuation.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for

funding purposes (see Note 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2010 was £5,827 million (31 March 2007: £4,468 million). The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2010 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The principal financial assumptions used by the Fund's actuary for the March 2010 IAS 19 calculation were:

Discount rate	5.50%
RPI inflation/pension increase rate assumption	3.65%
CPI inflation	2.75%
Salary increase rate	5.15%

20. Current assets

	31 March 2011 £'000	31 March 2012 £'000
Debtors:		
- Contributions due	14,052	18,291
- Sundry debtors	17,474	20,847
	31,526	39,138
Prepayments	470	12,221
Cash balances	94,393	79,162
Total	126,389	130,521

Analysis of debtors

	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	369	2,276
Other local authorities	14,516	18,453
NHS bodies	7	7
Public corporations and trading funds	2,213	2,611
Other entities and individuals	14,421	15,791
Total	31,526	39,138

21. Current liabilities

	31 March 2011 £'000	31 March 2012 £'000
Sundry creditors	9,322	7,848
Total	9,322	7,848

Analysis of creditors

	31 March 2011 £'000	31 March 2012 £'000
Central government bodies	48	21
Other local authorities	81	305
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	9,193	7,522
Total	9,322	7,848

22. Long term debtors

With effect from 1 April 2005, the Magistrates Courts Service (a body participating in the Hampshire Pension Fund) became part of the civil service. Terms have been agreed for the transfer of liabilities from all Local Government Pension Schemes (LGPS) to the Principal Civil Service Pension Scheme (PCSPS). Each affected LGPS fund's actuary has determined the value of the pensioner and deferred liabilities remaining with the LGPS and calculated the requirement for sufficient retained assets to match these liabilities. If the actuary has determined that insufficient assets remain to cover the remaining liabilities, a balancing payment is required to the Fund by the Civil Service (Her Majesty's Courts Service) spread over ten annual instalments.

The final calculation has now been completed. This requires ten payments of £1.521 million to the Hampshire Pension Fund, commencing in April 2012. The total amount of these payments is £15.213 million, and has been included in 'Transfers in from other pension funds' in 2011/12. A corresponding debtor has been set up, with the first instalment of £1.521 million which was received in April 2012 classified as a short term debtor and the remaining nine instalments which amount to £13.692 million and fall due more than one year from the Balance Sheet date are shown as a long term debtor.

	31 March 2011 £'000	31 March 2012 £'000
Magistrates Courts - agreed liability settlement due from central government body	0	13,692
Total	0	13,692

23. Additional voluntary contributions

	Market value 31 March 2011 £'000	Market value 31 March 2012 £'000
Prudential	-	299
Zurich	8,409	7,893
Equitable Life	1,543	1,462
Total	9,952	9,654

During the year, AVC contributions of £0.297 million were paid directly to Prudential (2010/11: nil), £1.494 million to Zurich (2010/11: £1.662 million), and £0.024 million to Equitable Life (2010/11: £0.027 million).

24. Related party transactions

The Hampshire Pension Fund is administered by Hampshire County Council. Consequently, there is a strong relationship between the County Council and the Pension Fund.

The County Council incurred costs of £2.504 million (2010/11: £2.415 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The County Council is also the single largest employer of members of the Pension Fund and contributed £88.539 million to the Fund in 2011/12 (2010/11 £92.111 million).

Whilst the Pension Fund previously invested part of its cash holdings jointly with the County Council, the introduction of a separate bank account for the Fund since October 2010 has enabled its cash holdings to be separately invested. As a result, there was no temporary lending to the County Council during 2011/12 earning nil interest (2010/11: £0.201 million based on the actual rate of interest earned on an average

investment balance of £50.5 million between the period of 1 April 2010 and 20 October 2010 only).

25. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2012 totalled £88.317 million (31 March 2011: £90.734 million).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

The Fund had no contingent liabilities on 31 March 2012.

26. Contingent assets

The Fund had no contingent assets on 31 March 2012.

27. Impairment losses

During 2011/12, the Fund has recognised an impairment loss for bad and doubtful debt of £0.008 million (2010/11: £0.007 million) for possible non-recovery of pensioner death overpayments, and there were no potential non-payment of cessation values where the employer is not backed up by a guarantee on 31 March 2012.

Glossary

Academies

Publicly funded independent schools, free from local authority and national government control. Freedoms held by academies include the ability to set their own pay and conditions for staff, freedoms around the delivery of the curriculum, and the ability to change the lengths of terms and school days. The income, expenditure and assets of academies within Hampshire do not form part of the Council's accounts.

Accruals basis

Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

Actuary

A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep it solvent.

Admitted bodies

These are employers who have been allowed into the Hampshire Pension Fund at the County Council's discretion.

Alternative investments

These are less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Amortisation

The process of writing down the cost of an asset or liability through depreciation or repayment of principle over a suitable period of time.

Assets held for sale

Assets that the Council intends to sell within the next year and are actively marketed as such.

Audit Commission

The independent public body responsible for ensuring that public money is spent economically, efficiently, and effectively in the areas of local government, housing, health, criminal justice, and fire and rescue services.

Additional voluntary contributions (AVCs)

Additional voluntary contributions are paid by a contributor who decides to supplement his or her pension by paying extra contributions to the Scheme's AVC providers (Zurich and Equitable Life).

Best Value Accounting Code of Practice (BVACOP)

The code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities.

Budget requirement

Planned spending to be met from council tax, general Government grant and national business rates.

Capital adjustment account

An account that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital expenditure

Expenditure on the acquisition or creation of a fixed asset or expenditure that adds to and does not merely maintain the value of an existing fixed asset.

Capital receipt

Proceeds from the sale of capital assets (e.g. land, buildings and equipment).

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

Community asset

An asset that the Council intends to hold forever, that has no determinable useful life, and that may have restrictions on its disposal. An example of a community asset is parkland.

Comprehensive Income and Expenditure Statement (CIES)

Statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Contingent asset

A potential asset that is uncertain because it depends on the outcome of a future event.

Contingent liability

A potential liability that is uncertain because it depends on the outcome of a future event.

Continuing services

Services that the Council will continue to provide in the following financial year.

Corporate and democratic core

Activities that local authorities carry out specifically because they are elected, multi-purpose authorities. The cost of these activities is not split between services.

Council tax

A domestic property tax based on capital values with a personal element (a 25% discount for single-adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor

An individual or body to which the Council owes money at the Balance Sheet date.

Current asset

An asset that is realisable or disposable within less than one year without disruption to services.

Current liability

A liability that is due to be settled within one year.

Current service costs

The increase in the present value of pension liabilities expected to arise from employee service in the current period.

Custodian

A bank that looks after Pension Fund investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

Debtor

An individual or body that owes money to the Council at the Balance Sheet date.

Dedicated Schools Grant (DSG)

A Government grant that can only be used to fund expenditure within the schools' budget.

Deferred liability

An amount owed by the Council that will be repaid over a significant period of time. For example, the Council holds a deferred liability to pay for assets constructed as part of the waste and street lighting PFI contracts, which will reduce over the life of the assets.

Defined benefit pension scheme

A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and final salary.

Deposit

Receipt held that is repayable in prescribed circumstances.

Depreciated historical cost

The valuation of fixed assets at their original cost less depreciation charged to date.

Depreciated replacement cost

Relating to fixed assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Developers' contribution

If a development derives special benefit from highway works, developers can be required to contribute towards the costs. They arise mainly as a result of agreements under section 278 of the Highways Act 1980.

Discretionary increase in pension payments

This increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Dividends

Income to the Pension Fund on its holdings of UK and overseas shares.

Doubtful debt

A debt that the Council is unlikely to recover because something has happened since the debt was raised. An assessment of the reduction in recoverable debt is made both individually (for individually significant debts) and collectively. This reduction is charged to the Income and Expenditure Account.

Earmarked reserve

See Reserve.

Emoluments

Sums paid to employees, including any expenses or non-monetary benefits, which are taxable, but excluding pension contributions made by the employee.

Equities

Shares in UK and overseas companies.

Exceptional item

An item identified separately in the accounts because of its exceptional nature to make sure the presentation of the accounts is fair.

Fair value

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

Finance lease

Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee.

Financial instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Fixed asset

An asset that yields benefits to the local authority and the services it provides for a period of more than one year.

Foundation schools

A category of school that receives its funding from the County Council, but are run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation

General Fund

The accumulated credit balance on the General Fund. It is the excess of income over expenditure in the Income and Expenditure Account after adjusting for movements to and from reserves and other non-cash items. This balance is needed as a cushion against unforeseen expenditure.

Gross book value (GBV)

The original or revalued cost of an asset before the deduction of depreciation.

Gross expenditure

The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.

Hedge fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Heritage assets

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are maintained principally for their contribution to knowledge and culture. The principal heritage assets owned by the Authority are its museum collections, archives collection and a small number of historic buildings and archaeological sites.

Historical cost

The amount originally paid for a fixed asset.

Impairment loss

A loss arising from an event that significantly reduces an asset's value. An example is physical damage or a fall in market value.

Infrastructure assets

Fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible assets

Assets that do not have physical substance but are identifiable and controlled by the Council and bring benefits to the Council for more than one year. Typical examples include software licences, internally developed software and websites developed to deliver services rather than information about services.

Internal trading account

A service within the Council that operates on a trading basis with other parts of the Council.

International Financial Reporting Standards (IFRS)

International accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts, which came fully into effect from 1 April 2010.

Inventories

Goods that are acquired in advance of their use in the provision of services or their resale. At the year-end inventories are a current asset in the balance sheet and they will be charged to the CIES in the year they are consumed or sold.

Investment property

Property (land or buildings) that are held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

Landfill Allowances Trading Scheme (LATS)

The LATS allocates tradable landfill allowances to each of the waste disposal authorities (WDA). These allowances can be used for disposal of biodegradable waste or sold to other WDAs.

Lessee

The party that leases an asset that is owned by another party.

Lessor

The owner of an asset which is leased to another party.

Local Government Pension Scheme (LGPS)

The LGPS is a nationwide scheme for employees working in local government or working for other employers participating in the Scheme and for councillors.

Long-term asset

An asset that may be held indefinitely for the provision of services or is realisable over a longer period than one year.

Long-term borrowing

A loan repayable in more than one year from the Balance Sheet date.

Long-term debtor

An individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

Minimum revenue provision (MRP)

The minimum amount (as specified in statute) which must be charged to the CIES each year and set aside as a provision for repaying external loans and meeting other credit liabilities.

(National) Non-domestic rates (NNDR)

Charges collected by district councils from non-domestic properties, at a national rate in the £ set by the Government. The proceeds are pooled nationally and redistributed to areas in proportion to their population.

Net assets

The amount by which assets exceed liabilities (same as net worth).

Net assets statement

A statement showing the net assets of the Pension Fund.

Net book value (NBV)

The value of an asset as recorded in the accounts. This usually equates to the net current replacement or original cost less any depreciation charged against the asset over its life to date.

Net current liabilities

The amount by which current liabilities exceed current assets.

Net worth

The amount by which assets exceed liabilities (same as net assets).

Non-distributed costs

Overheads for which no direct user now benefits and which are therefore not split between services.

Non-ringfenced government grants

Amounts received from central Government towards funding the Council's activities that are not required to be spent on a particular service.

Operating lease

Under this type of lease, the risks and rewards of ownership of the leased goods remain with the lessor.

Operational asset

A fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

Past service cost

For a defined benefit pension scheme, the increase in the present value of the scheme's liabilities related to employee service prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Payment in advance

A payment for a service due to be received in a future financial year.

Pooled budget

Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

Precept

The demand made by the County Council on the collection funds maintained by the district councils for council taxpayers' contribution to its services.

Private equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e. not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Private finance initiative (PFI)

Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Projected unit method

One of the common methods used by actuaries to calculate a contribution rate to the LGPS, which is usually expressed as a percentage of the members' pensionable pay.

Provisions

An estimated figure within the accounts for liabilities that are known to exist but cannot be measured accurately.

Public Works Loan Board (PWLB)

A central government agency that provides loans to local authorities at a slightly higher rate than the Government is able to borrow. In most cases, the interest rates offered are lower than local authorities can achieve in the open market. The amounts and purposes for which PWLB loans can be obtained are tightly controlled by the Government.

Receipt in advance

A receipt that is attributable to a future financial year.

Related party

An organisation, body or individual that has the potential to control or significantly influence the Council, or to be controlled or influenced by the Council.

Reserve

The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.

Revaluation reserve

Records unrealised net gains from asset revaluations made after 1 April 2007.

Revenue contributions to capital

The use of revenue funds to finance capital expenditure.

Revenue expenditure

The operating costs incurred by the Council during the financial year in providing its day-to-day services. It is distinct from capital expenditure on projects that benefit the Council over a period of more than one financial year.

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure that is classified as capital expenditure under statutory provisions, but does not result in the creation or enhancement of fixed assets owned by the County Council. Such expenditure incurred during the year is treated as revenue expenditure and charged to the relevant service in the CIES.

Scheduled bodies

These are organisations that have a right to be in the LGPS.

Service concession

Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

SETS

Stock Exchange Trading Service – a service provided by the Stock Exchange, enabling shares to be bought and sold electronically.

Short-term investments

An investment that is readily realisable within one year.

Specific grants

Central Government grants to finance a particular service.

Straight-line basis

Dividing a sum equally between several years.

Surplus assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. These are assets that do not meet the criteria to be classified as either investment property or assets held for sale.

Transfer value

The value of an employee's pension rights, which can be transferred from one pension scheme to another.

Transferred debt

Debt serviced by bodies that are independent of the Council following the transfer of services formerly provided by the Council.

Trust fund

A fund set up under a trust deed in which the Council is a trustee.

Useful life

The period over which the Council will benefit from the use of a fixed asset.

Voluntary aided schools (VA schools)

Mainly religious or 'faith' schools, although anyone can apply for a place. As with foundation schools, the governing body employs the staff and sets the admissions criteria

Voluntary controlled schools (VC schools)

Similar to voluntary aided schools, but are run by the local authority. As with community schools, the local authority employs the school's staff and sets the admissions criteria

Write-off

Elimination of an asset or liability over a defined period, usually by means of charging or crediting the CIES.