

7 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure statement recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| 2009/10 | Usable reserves | | | | Total £'000 |
|---|-------------------------------------|---|---|-------------------------------|----------------|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Unusable Reserves £'000 | |
| Reversal of items included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the surplus or deficit on the general fund for the year. | | | | | |
| Depreciation and impairment of non-current assets | -168,225 | | | 168,225 | 0 |
| Movement in the market value of investment property | 3,637 | | | -3,637 | 0 |
| Revenue expenditure funded by capital under statute | -14,776 | | | 14,776 | 0 |
| Loss on assets transferred to foundation schools | -21,579 | | | 21,579 | 0 |
| Book value of non-current assets sold | -6,230 | | | 6,230 | 0 |
| Capital grants and contributions applied | 74,908 | | | -74,908 | 0 |
| transferred to Capital Adjustment Account | -132,265 | 0 | 0 | 132,265 | 0 |
| Transfer cash proceeds from sale of non-current assets | 5,769 | -5,769 | | | 0 |
| Transfer from deferred capital receipts upon receipt of cash | | -5,724 | | 5,724 | 0 |
| Use of capital receipts to finance capital expenditure | | 11,493 | | -11,493 | 0 |
| Council tax income accrual transferred to Collection Fund Adjustment Account | 1,291 | | | -1,291 | 0 |
| Net charges relating to retirement benefits transferred to the Pensions Reserve | -106,235 | | | 106,235 | 0 |
| Effective interest on soft loans transferred to the Financial Instruments Adjustment Account | 10 | | | -10 | 0 |
| Employee benefits accrual transferred to the Accumulated Absences Account | -2,995 | | | 2,995 | 0 |
| Insertion of items not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the surplus or deficit on the general fund for the year. | | | | | |
| Statutory provision for the repayment of debt | 28,845 | | | -28,845 | 0 |
| Contribution from other authorities for the repayment of debt | -1,866 | | | 1,866 | 0 |
| Capital expenditure funded from the General Fund | 48,193 | | | -48,193 | 0 |
| transferred from Capital Adjustment Account | 75,172 | 0 | 0 | -75,172 | 0 |
| Employer's contributions payable to the pension Fund transferred from the Pension Reserve | 69,585 | | | -69,585 | 0 |
| Total adjustments | -89,668 | 0 | 0 | 89,668 | 0 |

Usable reserves

| 2010/11 | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Unusable Reserves £'000 | Total £'000 |
|---|-------------------------------------|---|---|-------------------------------|----------------|
| Reversal of items included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the surplus or deficit on the general fund for the year. | | | | | |
| Depreciation and impairment of non-current assets | -165,174 | | | 165,174 | 0 |
| Movement in the market value of investment property | 5,504 | | | -5,504 | 0 |
| Revenue expenditure funded by capital under statute | -9,244 | | | 9,244 | 0 |
| Book value of non-current assets sold | -8,569 | | | 8,569 | 0 |
| Capital grants and contributions applied | 86,855 | | | -86,855 | 0 |
| transferred to Capital Adjustment Account | -90,628 | 0 | 0 | 90,628 | 0 |
| Transfer cash proceeds from sale of non-current assets | 13,030 | -13,030 | | | 0 |
| Use of capital receipts to finance capital expenditure | | 13,030 | | -13,030 | 0 |
| Council tax income accrual transferred to Collection Fund Adjustment Account | 2,128 | | | -2,128 | 0 |
| Net charges relating to retirement benefits transferred to the Pensions Reserve | 148,075 | | | -148,075 | 0 |
| Effective interest on soft loans transferred to the Financial Instruments Adjustment Account | 9 | | | -9 | 0 |
| Employee benefits accrual transferred to the Accumulated Absences Account | 1,824 | | | -1,824 | 0 |
| Insertion of items not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the surplus or deficit on the general fund for the year. | | | | | |
| Statutory provision for the repayment of debt | 31,839 | | | -31,839 | 0 |
| Contribution from other authorities for the repayment of debt | -1,805 | | | 1,805 | 0 |
| Capital expenditure funded from the General Fund | 16,107 | | | -16,107 | 0 |
| transferred from Capital Adjustment Account | 46,141 | 0 | 0 | -46,141 | 0 |
| Employer's contributions payable to the pension Fund transferred from the Pension Reserve | 80,065 | | | -80,065 | 0 |
| Total adjustments | 200,644 | 0 | 0 | -200,644 | 0 |

8 General Fund

The General Fund Balance is the surplus of revenue income over expenditure. It can be used to supplement income in future years. On the Balance sheet it is shown separately from reserves that are earmarked for specific purposes.

9 Transfers To/From Earmarked reserves

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Schools' reserves are made up of net underspendings on budgets managed by governors as adjusted for advances made under the school balances loan scheme. They are not available to other services. The opening and closing balances for each reserve is shown below:

| | Balance at 1 April 2009 £'000 | Transfers out 2009/10 £'000 | Transfers in 2009/10 £'000 | Balance at 31 March 2010 £'000 | Transfers out 2010/11 £'000 | Transfers in 2010/11 £'000 | Balance at 31 March 2011 £'000 |
|---------------------------------|--|--------------------------------------|-------------------------------------|---|--------------------------------------|-------------------------------------|---|
| Schools | -37,433 | 3,464 | 0 | -33,969 | 0 | -2,605 | -36,574 |
| Capital | -8,899 | 8,724 | -294 | -469 | 335 | -17,932 | -18,066 |
| Landfill allowances | -5,758 | 0 | -226 | -5,984 | 2,400 | -300 | -3,884 |
| Local Public Service | | | | | | | |
| Agreement Reward Grant | -3,774 | 857 | -1,820 | -4,737 | 3,081 | 0 | -1,656 |
| Insurance | -9,392 | 0 | -3,250 | -12,642 | 0 | -4,083 | -16,725 |
| Designated underspendings | -16,707 | 2,226 | 0 | -14,481 | 1,455 | -4,643 | -17,669 |
| Grant equalisation | -24,905 | 2,490 | 0 | -22,415 | 3,735 | 0 | -18,680 |
| Equal Pay | -39,198 | 0 | -1,833 | -41,031 | 0 | -6,151 | -47,182 |
| Trading accounts | -10,942 | 2,197 | -3,794 | -12,539 | 2,863 | -3,077 | -12,753 |
| Invest-to-save | -2,361 | 0 | -1,933 | -4,294 | 976 | 0 | -3,318 |
| Corporate Policy Reserve | 0 | 0 | -650 | -650 | 0 | -1,758 | -2,408 |
| Corporate Procurement Reserve | 0 | 0 | -500 | -500 | 100 | 0 | -400 |
| Corporate Efficiency | 0 | 0 | 0 | 0 | 0 | -10,340 | -10,340 |
| Corporate Organisational Change | 0 | 0 | 0 | 0 | 0 | -3,511 | -3,511 |
| Revenue grants unapplied | -1,842 | 1,458 | -774 | -1,158 | 0 | -5,421 | -6,579 |
| Other | -726 | 45 | -120 | -801 | 47 | -3,778 | -4,532 |
| | -161,937 | 21,461 | -15,194 | -155,670 | 14,992 | -63,599 | -204,277 |
| Capital grants unapplied | -5,143 | 1,840 | -7,494 | -10,797 | 3,321 | -2,576 | -10,052 |

The purpose of the Schools reserve is to earmark the balance of unspent delegated budgets

The capital reserves are to assist in matching the timing of the availability of capital financing resources with the timing of capital payments.

The landfill allowances trading scheme reserve was established on closure of the 2005/06 accounts to earmark income from the sale of surplus allowances for future use.

Local Public Service Agreement Reward Grant is to earmark the reward grant for future use.

The insurance reserve is to cover fire, flood and storm damage reinstatement costs which are already committed and to reserve against adverse trends in liability claims.

The designated underspendings reserve enables individual services to carry forward underspendings in accordance with the financial management policy.

The grant equalisation reserve is to assist in managing the impact of future grant loss.

The equal pay reserve is to assist in meeting transitional salary protection and equal pay claim costs likely to arise from implementation of the Pay and Benefit Review.

The trading accounts reserve enable business units to carry forward planned surpluses to cover future investment or possible losses.

The invest-to-save and modernisation reserve is to provide funding for investment which will generate future cash savings which can be recycled back into the reserve.

The corporate policy reserve is used to redirect corporate efficiency and other savings to front line services, as the public spending outlook becomes more constrained.

The corporate procurement reserve is used to redirect a contribution from the County Supplies business unit towards the costs of providing support to the Corporate Procurement Efficiency programme.

The corporate efficiency reserve was established to earmark any corporate efficiency savings achieved in advance of their being required for budgetary purposes.

The organisational change reserve was established in 2010/11 from contributions from the corporate policy and invest to save and modernisation reserves to fund the additional cost of the voluntary redundancy scheme implemented to facilitate staffing reductions on a voluntary basis.

The revenue grants unapplied reserve was established to reflect change in accounting practice under IFRS, requiring grants to be accounted for in advance of the matched spending being incurred, where there is no repayment condition.

Other smaller reserves are sums set aside for specific future purposes.

The capital grants unapplied reserve is the equivalent to the revenue grants unapplied reserve in respect of capital grants.

10 Financing and investment income and expenditure

| 2009/10 | | | | 2010/11 | | |
|-------------------|----------------|-----------------|--------------------------------------|-------------------|----------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 25,443 | -5,116 | 20,327 | Interest | 26,804 | -4,440 | 22,364 |
| | -3,637 | -3,637 | Investment property gains and losses | | -5,504 | -5,504 |
| 706 | -875 | -169 | Investment property transactions | 390 | -969 | -579 |
| 106,760 | | 106,760 | Pension interest cost | 108,070 | | 108,070 |
| | -49,070 | -49,070 | Expected return on pension assets | | -78,930 | -78,930 |
| | -1,989 | -1,989 | Surplus on trading undertakings | | -2,632 | -2,632 |
| 132,909 | -60,687 | 72,222 | Total | 135,264 | -92,475 | 42,789 |

11a Fixed assets

The movements in fixed assets during the year were as follows:

| | Other land and buildings £'000 | Vehicles, plant and equipment £'000 | Infra- structure assets £'000 | Community assets £'000 | Surplus assets £'000 | Assets under construction £'000 | Total Property Plant and Equipment £'000 | PFI Assets Included in Property Plant and Equipment £'000 |
|--|---|--|--|------------------------------|----------------------------|--|--|--|
| Cost or Valuation | | | | | | | | |
| at 31 March 2010 | 3,595,085 | 120,022 | 586,278 | 13,425 | 16,901 | 32,936 | 4,364,647 | 95,227 |
| Additions | 78,862 | 8,849 | 62,414 | 831 | 45 | 24,202 | 175,203 | 14,741 |
| Disposals | -4,127 | -36 | - | - | -466 | - | -4,629 | - |
| Transfers to other classes | 8,884 | 22 | 648 | -1 | -1,455 | -20,103 | -12,005 | - |
| Transfers to foundation schools | - | - | - | - | - | - | - | - |
| Changes in certified valuations | 55,462 | - | - | - | 1,189 | - | 56,651 | - |
| Adjustment to prior year revaluations | -225 | - | - | - | - | - | -225 | - |
| Cost or Valuation | | | | | | | | |
| at 31 March 2011 | 3,733,941 | 128,857 | 649,340 | 14,255 | 16,214 | 37,035 | 4,579,642 | 109,968 |
| Accumulated Depreciation | | | | | | | | |
| at 31 March 2010 | -589,780 | -63,117 | -116,896 | -1 | -5,959 | - | -775,753 | -11,276 |
| Depreciation for the year | -72,011 | -10,945 | -20,388 | - | - | - | -103,344 | -5,638 |
| Impairment losses | -55,381 | - | - | - | -4,381 | - | -59,762 | - |
| Disposals- accumulated depreciation | 100 | 29 | - | - | -1 | - | 128 | - |
| Depreciation on transfers | -581 | - | 649 | - | 726 | - | 794 | - |
| Deprecation on transfers to foundation schools | - | - | - | - | - | - | - | - |
| revaluations- write back depreciation | 115,895 | - | - | - | 1 | - | 115,896 | - |
| Prior year revaluations - depreciation write back | - | - | - | - | - | - | - | - |
| Accumulated Depreciation | -601,758 | -74,033 | -136,635 | -1 | -9,614 | - | -822,041 | -16,914 |
| Net book value (NBV) of fixed assets | | | | | | | | |
| at 31 March 2010 | 3,005,305 | 56,905 | 469,382 | 13,424 | 10,942 | 32,936 | 3,588,894 | 83,951 |
| Net book value | | | | | | | | |
| at 31 March 2011 | 3,132,183 | 54,824 | 512,705 | 14,254 | 6,600 | 37,035 | 3,757,601 | 93,054 |
| Nature of asset holding | | | | | | | | |
| Owned | 3,039,129 | 54,824 | 512,705 | 14,254 | 6,600 | 37,035 | 3,664,547 | |
| PFI/service concessions (see note 31) | 93,054 | - | - | - | - | - | 93,054 | |
| | 3,132,183 | 54,824 | 512,705 | 14,254 | 6,600 | 37,035 | 3,757,601 | |

The Comparative Movements in fixed assets during the 2009/10 were as follows:

| | Other land and buildings | Vehicles, plant and equipment | Infra- structure | Community assets | Surplus Assets | Assets under construction | Total Property, Plant and Equipment | PFI Assets Included in Property Plant and Equipment £'000 |
|---|--------------------------------|-------------------------------------|---------------------|---------------------|-------------------|---------------------------------|--|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation at 31 March 2009 | 3,495,890 | 110,261 | 545,758 | 11,959 | 15,570 | 41,914 | 4,221,352 | 95,227 |
| Additions | 78,532 | 9,779 | 38,153 | 705 | 1,362 | 24,257 | 152,788 | - |
| Disposals | -800 | -16 | - | - | -37 | - | -853 | - |
| Transfers to other classes | 22,812 | - | 2,371 | 761 | -3,684 | -32,655 | -10,395 | - |
| Transfers to foundation schools | -24,328 | - | -3 | - | -6 | -580 | -24,917 | - |
| Changes in certified valuations | 23,366 | - | -1 | - | 3,696 | - | 27,061 | - |
| Adjustment to prior year revaluations | -387 | -2 | - | - | - | - | -389 | - |
| Gross book value (GBV) at 31 March 2010 | 3,595,085 | 120,022 | 586,278 | 13,425 | 16,901 | 32,936 | 4,364,647 | 95,227 |
| Accumulated Depreciation and Impairment at 31 March 2009 | -580,313 | -53,275 | -98,450 | -1 | -2,542 | - | -734,581 | -5,638 |
| Depreciation for the year | -68,715 | -9,858 | -18,446 | - | - | - | -97,019 | -5,638 |
| Impairment losses | -87,287 | - | -2 | - | -3,059 | - | -90,348 | - |
| Disposals- accumulated depreciation | - | 14 | - | - | - | - | 14 | - |
| Depreciation on transfers | 1,257 | - | - | - | -363 | - | 894 | - |
| Deprecation on transfers to foundation schools | 3,338 | - | 1 | - | - | - | 3,339 | - |
| revaluations- write back depreciation | 141,924 | - | 1 | - | 5 | - | 141,930 | - |
| Prior year revaluations - depreciation write back | 16 | 2 | - | - | - | - | 18 | - |
| Accumulated Depreciation at 31 March 2010 | -589,780 | -63,117 | -116,896 | -1 | -5,959 | - | -775,753 | -11,276 |
| Net book value of fixed assets at 31 march 2009 | 2,915,577 | 56,986 | 447,308 | 11,958 | 13,028 | 41,914 | 3,486,771 | 89,589 |
| Net book value of fixed assets at 31 march 2010 | 3,005,305 | 56,905 | 469,382 | 13,424 | 10,942 | 32,936 | 3,588,894 | 83,951 |
| Nature of asset holding | | | | | | | | |
| Owned | 2,921,354 | 56,905 | 469,382 | 13,424 | 10,942 | 32,936 | 3,504,943 | |
| PFI/service concessions (see note 31) | 83,951 | - | - | - | - | - | 83,951 | |
| | 3,005,305 | 56,905 | 469,382 | 13,424 | 10,942 | 32,936 | 3,588,894 | |

11b Capital commitments

Commitments for major contracts entered into up to 31 March 2011 are estimated at £37 million (£45.4 million in 2009/10). This comprises £9.4 million (£17.2 million in 2009/10) for highways and £27.6 million (£28.2 million in 2009/10) for buildings.

11c Valuation of assets

The freehold and leasehold properties of the Council's property portfolio, including investment properties, have been valued, under a rolling programme, by the County Council's property services staff. Valuations were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

IAS 16 requires the dates and amounts of valuations to be analysed across each of the classes of assets carried at current value. No analysis is required for assets valued at historic cost.

| Valuation | Other land and buildings £'000 | Vehicles, plant and equipment £'000 | Infra-structure £'000 | Community assets £'000 | Surplus assets £'000 |
|-------------------------|-----------------------------------|--|--------------------------|---------------------------|-------------------------|
| Valued at historic cost | | 54,824 | 512,705 | 14,254 | |
| Pre 2006/07 | 2,151 | | | | 137 |
| 2006/07 | 159,406 | | | | 263 |
| 2007/08 | 265,627 | | | | 677 |
| 2008/09 | 816,547 | | | | 2,254 |
| 2009/10 | 884,717 | | | | 1,198 |
| 2010/11 | 1,003,735 | | | | 2,071 |
| Total | 3,132,183 | 54,824 | 512,705 | 14,254 | 6,600 |

11d Impairment losses

During 2010/11, the Authority has recognised impairment losses of £61.8m (£91.1m in 2009/10). Of this, £2m relates to assets held for sale reflecting a fall in the anticipated market value, £14m relates to land and buildings valued on the basis of existing use, again reflecting changes in market conditions and £45.8m relates to land and buildings that are valued on a depreciated replacement cost (DRC) basis. DRC is based on the instant build of a modern equivalent asset, depreciated to reflect its age and physical deterioration. As such the DRC valuation can be lower than the initial recognition of actual capital expenditure.

11e Fixed assets held at 31 March

Community assets not accounted for in the Balance Sheet comprise museum exhibits, pieces of art, historic records held by Hampshire Record Office and historic monuments.

Foundation schools

The fixed assets of foundation schools are vested in the governing bodies of the schools, the assets has not been included in this Balance Sheet.

On 31 March 2011 there were 28 foundation schools (28 in 2009/10).

Aided schools

The fixed assets of Aided schools are vested in the governing bodies of the schools, the assets has not been included in this Balance Sheet.

On 31 March 2011 there were 56 aided schools (56 in 2009/10).

12 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement .

| | 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Rental income from investment property | -875 | -969 |
| Direct operating expenses arising from investment property | 432 | 390 |
| Net (gain) | -443 | -579 |

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year

| | 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Balance at start of the year | 37,781 | 42,032 |
| Additions: | | |
| - purchases | - | - |
| - construction | - | - |
| - subsequent expenditure | 760 | 507 |
| Disposals | - | -1,875 |
| Net gains/losses from fair value adjustments | 3,363 | 5,504 |
| Transfers: | | |
| - to/from Inventories | 113 | - |
| - to/from Property, Plant and Equipment | 15 | - |
| Balance at end of the year | 42,032 | 46,168 |

13 Financial Instruments

The term 'financial instrument' covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions. The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

| | Long term | | | Current | | | see note |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------|
| | 31 March 2009 £'000 | 31 March 2010 £'000 | 31 March 2011 £'000 | 31 March 2009 £'000 | 31 March 2010 £'000 | 31 March 2011 £'000 | |
| Loans and receivables at amortised cost: | | | | | | | |
| Long-term debtors | 1,121 | 1,328 | 1,438 | - | - | - | 13a |
| Debtors | - | - | - | 63,616 | 79,656 | 77,472 | 13b |
| Payments in advance | - | - | - | 8,573 | 10,244 | 9,337 | 13b |
| Short-term investments | - | - | - | 147,804 | 146,504 | 171,171 | 13c |
| Long-term investments | - | - | 10,000 | - | - | - | 13c |
| Loans and receivables at amortised cost | 1,121 | 1,328 | 11,438 | 219,993 | 236,404 | 257,980 | |
| Financial liabilities at amortised cost: | | | | | | | |
| Long-term borrowing | -336,996 | -336,556 | -365,895 | - | - | - | 13d |
| Short-term borrowing | - | - | - | -99,841 | -89,888 | -36,313 | 13e |
| Developers' contributions | 33,404 | -34,223 | -44,937 | - | - | - | 13f |
| Deposits | - | - | - | -1,152 | -1,846 | -679 | 13h |
| Creditors | - | - | - | -156,456 | -158,608 | -173,881 | 13i |
| Receipts in advance | - | - | - | -62,016 | -82,370 | -96,068 | 13j |
| PFI & finance lease liabilities | 85,525 | -82,071 | -88,544 | -3,197 | -3,454 | -5,935 | 31 |
| Financial liabilities at amortised cost | -218,067 | -452,850 | -499,376 | -322,662 | -336,166 | -312,876 | |

a 2009/10 short term investments have been reduced by £38.1 million by reclassifying them as cash equivalents (see note 14)

All financial instruments are carried in the balance sheet at amortised cost, although the fair value of borrowings is included in disclosure notes 13d and 13e. The Council does not have any investments required to be measured at fair value.

13a Long-term debtors

| | 31 March 2009 £'000 | 31 March 2010 £'000 | 31 March 2011 £'000 |
|--------------------|---------------------------|---------------------------|---------------------------|
| Car loans to staff | 731 | 972 | 961 |
| Other | 390 | 356 | 477 |
| | 1,121 | 1,328 | 1,438 |
| Transferred debt | 39,667 | 37,961 | 36,315 |
| | 40,788 | 39,289 | 37,753 |

Transferred debt represents amounts of capital advances due to be repaid after statutory transfers of former services to independent bodies. These are not financial instruments and are shown at the book value of the amount outstanding. £34.4 million remains to be repaid by the cities of Portsmouth and Southampton, and £1.9 million by Hampshire Police Authority.

The other long-term debtors figure of, £1.4 million (£1.3 million in 2009/10) is classified as a loans and receivables financial instrument.

By value, the majority of these loans are for a period of less than five years and attract a market rate of interest. Their amortised cost in the Balance Sheet is a reasonable assessment of fair value. One loan of £247,597 made in 2007/08 is interest-free. The amortised cost has been reduced to a fair value based on market interest rates at the time of the loan. All loans are expected to be repaid in full, so a reduction for impairment is not considered necessary.

13b Debtors

Debtors, classified as a loans and receivables financial instrument, are due within one year without interest so the fair value of these receivables equals the original invoice amount.

| | 31 March 2009 | original 31 March 2010 | restated 31 March 2010 | 31 March 2011 |
|-------------------------|------------------|------------------------------|------------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Government departments | 9,987 | 11,347 | 12,085 * | 10,976 |
| Other local authorities | 8,247 | 7,354 | 7,354 | 14,842 |
| NHS bodies | | | | 0 |
| Sundry debtors | 45,382 | 60,217 | 60,217 | 51,654 |
| Payments in advance | 8,573 | 10,244 | 10,244 | 9,337 |
| | 72,189 | 89,162 | 89,900 | 86,809 |

*Increase relates to revised accounting treatment for grants and contributions.

13c Investments

Surplus cash balances are lent to borrowers on the Council's approved list. Short term investments are due to be repaid within a year and so their amortised cost in the Balance Sheet is a reasonable assessment of their fair value. Long term investments are not due to be repaid until after a year from the Balance Sheet date for periods of up to two years. Their amortised cost in the Balance Sheet is a reasonable assessment of their fair value because the interest rates receivable on similar investments at the Balance Sheet date are broadly unchanged from when the investments were originally made.



13d Long term borrowing

Long-term borrowing is carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using premature repayment interest rates from the Public Works Loan Board (PWLB). For market loans, in the absence of information requested from the lender, the Council's Treasury Adviser calculated the fair value based on equivalent swap rates at the balance sheet date.

| | 31 March 2010 | | 31 March 2011 | |
|-------------------------|----------------------------|------------------------|----------------------------|------------------------|
| | Amortised cost £'000 | Fair value £'000 | Amortised cost £'000 | Fair value £'000 |
| Public Works Loan Board | -263,556 | -292,394 | -292,583 | -328,894 |
| Market loans | -73,000 | -74,619 | -73,312 | -77,564 |
| | -336,556 | -367,013 | -365,895 | -406,458 |

The fair value is more than the amortised cost because the Council's portfolio of loans includes a number of fixed-rate loans where the interest rate payable is higher than the rates that would be applied to calculate the premiums if the loans were repaid on the Balance Sheet date. This commitment to pay interest above the current market rates increases the amount that the County Council would have to pay if it repaid the loans early.

13e Borrowing repayable within one year

Long-term borrowing repayable within one year is shown at its fair value, which is assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using premature repayment interest rates from the Public Works Loan Board (PWLB). For all other loans due to be repaid within a year, their amortised cost in the Balance Sheet is a reasonable assessment of their fair value

| | 31 March 2010 | | 31 March 2011 | |
|---|----------------------------|------------------------|----------------------------|------------------------|
| | Amortised cost £'000 | Fair value £'000 | Amortised cost £'000 | Fair value £'000 |
| Long-term borrowing repayable within one year | -12,550 | -12,842 | -10,936 | -11,271 |
| Temporary deposits by Hampshire Pension Fund | -50,767 | -50,767 | - | - |
| Other short-term borrowing | -26,571 | -26,571 | -25,377 | -25,377 |
| | -89,888 | -90,180 | -36,313 | -36,648 |

13f Developers' contributions

Developers' contributions arise mainly as a result of agreements under Section 106 of the Town and Country Planning Act 1990 and also Section 278 of the Highways Act 1980 if a development derives special benefit from highway works, developers can be required to contribute towards the costs. Before being applied, deposits are credited with interest on the basis of market rates. Therefore the carrying amount is a reasonable assessment of the fair value of the financial liability.

| | restated 2009/10 * | | | 2010/11 | | |
|----------------------------|--------------------|----------------|----------------|-------------------|----------------|----------------|
| | Highways £'000 | Other £'000 | Total £'000 | Highways £'000 | Other £'000 | Total £'000 |
| Balance at 1 April | -32,706 | -698 | -33,404 | -33,172 | -1,051 | -34,223 |
| Income | -7,218 | -353 | -7,571 | -13,727 | -5,441 | -19,168 |
| Contributions applied | 6,752 | 0 | 6,752 | 7,403 | 1,051 | 8,454 |
| Balance at 31 March | -33,172 | -1,051 | -34,223 | -39,496 | -5,441 | -44,937 |

* 2009/10 developers' contributions have been increased by reclassifying some deposits.



13g Short-term Creditors

Short-term creditors includes deposits, creditors and receipts in advance as detailed below.

13h Deposits

| | 31 March 2009 £'000 | original 31 March 2010 £'000 | restated 31 March 2010 £'000 | 31 March 2011 £'000 |
|--|---------------------------|---------------------------------------|---------------------------------------|---------------------------|
| Capital deposits and unapplied contributions | -645 | -2,719 | -1,246 * | -424 |
| Other | -507 | -600 | -600 | -255 |
| | -1,152 | -3,319 | -1,846 | -679 |

* Decrease relates to revised accounting treatment for grants and contributions.

13i Creditors

The County Council's policy is to pay creditors within 30 days of the date shown on the invoice. Therefore, the invoice amount is a reasonable assessment of the fair value of the financial liability.

| | 31 March 2009 £'000 | original 31 March 2010 £'000 | restated 31 March 2010 £'000 | 31 March 2011 £'000 |
|---|---------------------------|---------------------------------------|---------------------------------------|---------------------------|
| HM Revenue and Customs and Government departments | -23,739 | -33,584 * | -23,553 | -23,627 |
| Other local authorities | -16,668 | -11,390 | -11,390 | -14,917 |
| Sundry creditors | -116,049 | -105,897 * | -123,665 | -135,337 |
| | -156,456 | -150,871 | -158,608 | -173,881 |

* Changes in creditors relate to revised accounting treatment for grants and new requirement to accrue for employee benefits.

| 13j Receipts in advance | 31 March 2009 £'000 | original 31 March 2010 £'000 | restated 31 March 2010 £'000 | 31 March 2011 £'000 |
|--|---------------------------|---------------------------------------|---------------------------------------|---------------------------|
| Education Standards Fund and devolved capital grants | -31,185 | -42,630 | | |
| Dedicated Schools Grant | -9,345 | -12,638 | | |
| Grants (see note 27 for breakdown) | | | -66,568 | -79,038 |
| Other receipts and contributions | -21,486 | -27,841 | -15,802 | -17,030 |
| | -62,016 | -83,109 | -82,370 * | -96,068 |

* Decrease in receipts in advance relates to revised accounting treatment for grants and contributions.



13k Nature and extent of risks arising from financial instruments

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

Credit Risk: the possibility that banks and financial institutions will fail to meet their contractual obligations, causing a loss to the Council

Liquidity Risk: Liquidity risk is the possibility that the Council will be unable to raise funds to meet its payment commitments as they fall due.

Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit risk

The Council manages credit risk by ensuring that investments are placed with the UK Government's Debt Management Office, other local authorities, AAA-rated money market funds or banks and building societies having sufficiently high credit worthiness as set out in the Council's Annual Investment Strategy. A maximum investment limit of £60 million is placed on the amount of money that can be invested with a single counterparty. No more than £60 million in total can be invested for a period longer than 364 days and up to a maximum duration of two years, although the maximum investment being placed with one institution will be restricted to £20 million. The Council has no historical experience of counterparty default.

It should be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Annual Investment Strategy for 2010/11, approved by Full Council on 18 February 2010.

Throughout 2010/11 the minimum criteria for new investments has been a long term Moody's rating of A2 and AAA for money market funds.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2011, and confirms that all investments were made in line with the Council's approved credit rating criteria:

| Counterparty | Credit rating criteria met when investment placed? | Credit rating criteria met on 31 March 2011? | Balance invested as at 31 March 2011 | | | | Total |
|-------------------------|--|--|--------------------------------------|---------------|----------------------|------------------------|----------------|
| | | | Up to 1 month | > 1 | > 6 | > 12 | |
| | | | | £'000 | month and < 6 months | months and < 12 months | |
| Banks - UK | Yes | Yes | 12,500 | 42,500 | 62,500 | - | 117,500 |
| Building Societies - UK | Yes | Yes | - | 27,500 | 5,000 | - | 32,500 |
| Other local authorities | Yes | Yes | - | - | 20,000 | 10,000 | 30,000 |
| Call accounts | Yes | Yes | 33,550 | - | - | - | 33,550 |
| Total | | | 46,050 | 70,000 | 87,500 | 10,000 | 213,550 |

The above analysis shows that all deposits outstanding at 31 March 2011 met the Council's credit rating criteria on the 31 March 2011.

The invoiced debtors have been reviewed by age to determine an appropriate provision for debts that are likely to be uncollectable. A provision of £2.2 million (£1.5 million in 2009/10) has been estimated.

| Outstanding debt raised in | Outstanding balance at 31 March 2011 £'000 | Individually assessed impairment £'000 | Collectively assessed | | Total Provision £'000 |
|----------------------------|---|---|-----------------------|---------------------|--------------------------|
| | | | impairment £'000 | impairment £'000 | |
| 2010/11 | 29,198 | 26 | 0 | 0 | 26 |
| 2008/09 & 2009/10 | 1,844 | 468 | 683 | 683 | 1,151 |
| before 2008/09 | 1,029 | 191 | 838 | 838 | 1,029 |
| | 32,071 | 685 | 1,521 | 1,521 | 2,206 |

Liquidity risk

As the Council has ready access to borrowing through the Public Works Loan Board and commercial banks, there is no perceived risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council lessens this risk by its strategy of taking out its long-term borrowing requirements reasonably evenly from one year to the next.

The maturity analysis of the nominal value of the Council's debt at 31 March 2011 was as follows:

| | Outstanding 31 March 2010 £'000 | Outstanding 31 March 2011 £'000 |
|----------------------------|--|--|
| Between one and two years | -4,861 | -6,097 |
| Between two and five years | -19,585 | -29,105 |
| Between five and 10 years | -33,307 | -43,753 |
| Between 10 and 15 years | -41,308 | -42,308 |
| Between 15 and 20 years | -43,308 | -54,308 |
| Between 20 and 25 years | -85,307 | -99,351 |
| More than 25 years | -108,880 | -90,973 |
| Total | -336,556 | -365,895 |

| Range of interest rates payable | Source of loan | | |
|------------------------------------|-------------------------|-----------------|-----------------|
| 3.39% - 9.875% | Public Works Loan Board | -263,556 | -292,583 |
| 3.89% - 5.0% | Market loans | -73,000 | -73,312 |
| | | -336,556 | -365,895 |

Market risk

Interest rate risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of £420 million on external debt that can be subject to variable interest rates. At 31 March 2011, £387.0 million of the debt portfolio was held in fixed rate instruments, and £112.2 million in variable rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is a greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | |
|--|---------------|
| | £'000 |
| Increase in interest payable on variable rate borrowing | 1,453 |
| Increase in interest receivable on variable rate investments | -2,881 |
| <u>Net cost/(saving)</u> | <u>-1,428</u> |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council does not invest in equity shares and has no shareholdings in joint ventures or local industry. There is, therefore, no exposure to price risk.

Foreign exchange risk

The Council has no material financial assets or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

14 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 2009 £'000 | 31 March 2010 £'000 | 31 March 2011 £'000 |
|--|---------------------------|---------------------------|---------------------------|
| Cash in hand | 5,591 | 5,629 | 5,196 |
| Call accounts (same day access funds) | 47,405 | 20,000 | 33,550 |
| Money market funds | - | 18,080 | - |
| Total cash and cash equivalents | 52,996 | 43,709 | 38,746 |
| Bank overdraft | -17,124 | -15,400 | -7,561 |
| Net cash and cash equivalents | 35,872 | 28,309 | 31,185 |

15 Stocks and work in progress

| | 31 March 2010 £'000 | Purchases £'000 | Expense in the year £'000 | Written off balances £'000 | 31 March 2011 £'000 |
|--|----------------------------------|--------------------------------------|------------------------------------|-------------------------------------|--|
| Stocks | | | | | |
| Catering stock | 377 | 6,299 | 6,238 | 9 | 429 |
| County Supplies general | 1,412 | 6,645 | 6,685 | 9 | 1,363 |
| Recreation and Heritage sales stocks | 263 | 517 | 526 | 7 | 247 |
| Other (including landfill allowances) | 295 | 3,486 | 3,443 | 1 | 337 |
| | 2,347 | 16,947 | 16,892 | 26 | 2,376 |
| Construction contracts | | | | | |
| | Work not recharged at 2010 | Value of new work done 2010/11 | | Income received in 2009/10 | Value of work not recharged 2011 |
| Highway rechargeable works | 958 | 829 | | 1267 | 520 |
| Other | 64 | | | 4 | 60 |
| | 1,022 | 829 | | 1,271 | 580 |
| Total stocks and work in progress | 3,369 | 17,776 | 16,892 | 1,297 | 2,956 |

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.

16 Assets held for sale

| | 2009/10 | 2010/11 |
|---|--------------|---------------|
| | £'000 | £'000 |
| Balance outstanding at start of year | 8,902 | 8,432 |
| Assets newly classified as held for sale: | | |
| - property, plant and equipment | 5,114 | 9,863 |
| - other assets/liabilities in disposal groups | - | 184 |
| Revaluation gains and losses | 311 | -450 |
| Impairment losses | -503 | -2,067 |
| Assets declassified as held for sale | - | - |
| Assets sold | -5,392 | -2,196 |
| Balance outstanding at year-end | 8,432 | 13,766 |

17 Change in provisions

| | 31 March 2009 | Change in 2009/10 Central Service Provision Provision | | 31 March 2010 |
|---|------------------|---|-------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Insurance claims | -4,925 | 3,575 | -3,492 | -4,842 |
| Contract terminations | -262 | - | -55 | -317 |
| Other | -28 | - | -1 | -29 |
| Provisions identified in balance sheet | -5,215 | | | -5,188 |
| Provision for doubtful debts (included with debtors in the Balance Sheet) | -5,495 | 607 | 3,434 | -1,454 |
| | | 4,182 | -114 | |

| | 31 March 2010 | Change in 2010/11 Central Service Provision Provision | | 31 March 2011 |
|---|------------------|---|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Insurance claims | -4,842 | 2,579 | -4,658 | -6,921 |
| Contract terminations | -317 | - | 68 | -249 |
| Employee termination benefits | - | - | -5,636 | -5,636 |
| Other | -29 | - | 19 | -10 |
| Provisions identified in the Balance Sheet | -5,188 | 2,579 | -10,207 | -12,816 |
| Provision for doubtful debts (included with debtors in the Balance Sheet) | -1,454 | -746 | - | -2,200 |
| | | 1,833 | -10,207 | |

The insurance provision represents an assessment of the likely cost of liability claims known to the Council at 31 March 2011. 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

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.



18 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 2010 £'000 | Net Movement in the year £'000 | Balance 31 March 2011 £'000 |
|---|-------------|-------------------------------------|---|--------------------------------------|
| Reserve | see note | | | |
| Revaluation reserve | 18a | -567,025 | -152,482 | -719,507 |
| Capital adjustment account | 18b | -2,395,430 | 8,590 | -2,386,840 |
| | 18c | 88 | -9 | 79 |
| Financial instrument adjustment account | | | | |
| Pensions reserve | 18d | 963,330 | -209,370 | 753,960 |
| Deferred capital receipts reserve | 18e | 0 | - | 0 |
| Collection fund adjustment account | 18f | -4,529 | -2,127 | -6,656 |
| Accumulated absences account | 18g | 17,768 | -1,825 | 15,943 |
| | | -1,985,798 | -357,223 | -2,343,021 |

18a 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.

| | 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|------------------|
| Balance at 1 April | -428,563 | -567,025 |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus of Deficit on the Provision of Services | -145,883 | -172,096 |
| Difference between fair value depreciation and historical cost depreciation | 20,769 | 16,097 |
| Adjustments to prior year revaluations | -13,576 * | |
| Write off net gains for assets transferred to foundation schools | -63 | - |
| Accumulated gains on assets sold or scrapped | 291 | 3,517 |
| Amount written off to the Capital Adjustment Account | 7,421 | 19,614 |
| Balance at 31 March | -567,025 | -719,507 |

*Correction of balances on individual revaluation reserves for a small proportion of impaired assets that were transferred to the Capital Adjustment Account in error.

18b 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:

| | 2009/10 £'000 | 2010/11 £'000 |
|--|-------------------|-------------------|
| Balance brought forward 1 April | -2,431,976 | -2,395,430 |
| 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 | 168,225 | 165,174 |
| Revenue expenditure funded from capital under statute | 14,776 | 9,244 |
| Assets disposals current value and assets transferred to foundation schools | 27,809 | 8,569 |
| | <u>-2,221,166</u> | <u>-2,212,443</u> |
| Adjusting amounts written out of Revaluation Reserve: | | |
| Excess of current value depreciation over historic cost depreciation | -20,769 | -16,097 |
| Write off net gains for assets transferred to foundation schools | 63 | - |
| Write out revaluations on asset disposals | -291 | -3,517 |
| Adjustment to prior year revaluations | 13,946 | 227 |
| | <u>-7,051</u> | <u>-19,387</u> |
| Net written out amount of the cost of assets consumed in the year | -2,228,217 | -2,231,830 |
| Capital financing applied in the year | | |
| Capital receipts applied | -11,493 | -13,030 |
| | -28,845 | -31,839 |
| Statutory minimum revenue provision for capital financing | | |
| External contribution to minimum revenue provision | 1,705 | 1,646 |
| Revenue contributions to capital expenditure | -48,193 | -16,107 |
| Capital grants and contributions applied | -76,750 | -90,176 |
| | -163,576 | -149,506 |
| Movement in the market value of investment properties | -3,637 | -5,504 |
| Balance as at 31 March | -2,395,430 | -2,386,840 |

18c 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 Account 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 Comprehensive Income and Expenditure Statement has been credited in 2010/11 with an amount for the effective interest of £9,215 (£10,033 in 2009/10) 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.

| | 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Balance brought forward 1 April | 98 | 88 |
| Effective interest credited to Income and Expenditure | -10 | -9 |
| Balance at 31 March | 88 | 79 |

18d 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.

| | 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 727,570 | 963,330 |
| Actuarial losses on pensions assets and liabilities | 199,110 | 18,770 |
| 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 | 106,235 | -148,075 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -69,585 | -80,065 |
| Balance at 31 March | 963,330 | 753,960 |

18e 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.

| | 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|------------------|
| Balance at 1 April | -2,290 | 0 |
| Transfer to the capital receipts reserve upon receipt of cash | 2290 | |
| Balance at 31 March | 0 | 0 |

18f 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.

| | 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Balance at 1 April | | -4,529 |
| Introduction of Collection Fund Adjustment Account during 2009/10 | -3,238 | |
| Accrued income in the Comprehensive Income and Expenditure account | -513,503 | -527,421 |
| Amount calculated in accordance with statutory requirements | 512,212 | 525,294 |
| Balance at 31 March | -4,529 | -6,656 |

18g 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.

| | 2009/10 £'000 | | 2010/11 £'000 |
|---|------------------|---------|------------------|
| Balance at 1 April | 14,773 | | 17,768 |
| Settlement or cancellation of accrual made at the end of the preceding year | -14,773 | -17,768 | |
| Amounts accrued at the end of the current year | 17,768 | 15,943 | |
| 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 | 2,995 | | -1,825 |
| Balance at 31 March | 17,768 | | 15,943 |

19a Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items

| | | |
|---|-----------------|----------------|
| Interest paid | 26,591 | 27,014 |
| Interest received | -9,210 | -5,341 |
| | 17,381 | 21,673 |
| Variation in stocks | 124 | -415 |
| Variation in deposits | -83 | 743 |
| Variation in debtors | 24,638 | -1,097 |
| Variation in long-term debtors | 206 | 110 |
| Variation in payments in advance | 1,671 | -907 |
| Variation in creditors | -8,872 | -21,707 |
| Variation in receipts in advance | -20,482 | -12,959 |
| Variation in provisions | 27 | -7,628 |
| Variation in interest accruals on borrowing | -3,532 | -150 |
| Transfers to reserves | 4,899 | -48,607 |
| Variation in doubtful debts provision | 607 | -746 |
| Interest on developers contributions | -103 | -209 |
| Provision for loan and lease repayments | -28,845 | -31,839 |
| Financial Instruments Adjustment Account | -10 | -9 |
| Accumulated Absences Account | - | -1,825 |
| Collection Fund Adjustment Account | -4,529 | -2,128 |
| Contribution to capital outlay | -48,193 | -16,107 |
| Net additional amount required by statutory and non-statutory proper practices to be credited to the General Fund Balance | -84,760 | 251,827 |
| Adjustment to Revenue Expenditure funded by capital under statute | 14,776 | 20,438 |
| | -152,461 | 126,785 |

19b Cash Flow Statement - Investing Activities

Cash outflows

| | | |
|--------------|---------|---------|
| Fixed assets | 154,046 | 167,311 |
|--------------|---------|---------|

Cash inflows

| | | |
|----------------------|---------|---------|
| Sale of fixed assets | -12,155 | -12,746 |
| Capital grants | -67,984 | -90,080 |
| Other income | -15,726 | -8,316 |

| | | |
|---|---------------|---------------|
| Net cash outflow from investing activities | 58,181 | 56,169 |
|---|---------------|---------------|

19c Cash Flow Statement - Financing Activities

| | | |
|---|----------|----------|
| Cash receipts of short- and long-term borrowing | -551,756 | -538,699 |
| Other receipts from financing activities | -1,300 | 34,666 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | 3,454 | 5,935 |
| Repayments of short- and long-term borrowing | 565,424 | 548,196 |
| Other payments for financing activities | 17,381 | 21,673 |

| | | |
|---|---------------|---------------|
| Net cash outflow from financing activities | 33,203 | 71,771 |
|---|---------------|---------------|

Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. 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 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 |
|--|---|---|----------------------------|----------------------|--|----------------------------------|------------------|
| Expenditure | | | | | | | |
| 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 |
| Income | | | | | | | |
| 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 |
| Other | | | | | | | |
| 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 |
| Service analysis total | 818,291 | 173,192 | 303,580 | 95,721 | 33,791 | 81,014 | 1,505,589 |

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

Reconciliation between service analysis and net expenditure of continuing 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 Government grants and contributions | -163,502 | -1151 | -865,335 | | -1,029,988 | -527,421 | -1,335,427 |
| Net investment property gains and losses | | | | | | -6,083 | -6,083 |
| | | | | | | -4,447 | -4,447 |
| Gain on Disposal of Fixed Assets | | | | | | | |
| Total Income | -340,936 | -1,153 | -865,635 | 969 | -1,206,755 | -929,392 | -2,136,147 |
| 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, amortisation and impairment | | | 171,927 | | 171,927 | | 171,927 |
| Interest Payments | | | | | | 134,874 | 134,874 |
| Total operating expenses | 1,846,395 | 8,426 | -87,383 | -390 | 1,767,048 | 134,874 | 1,901,922 |
| Transfers to/ from reserves and provisions | 130 | | -1,833 | | -1,703 | | -1,703 |
| Surplus or deficit on the provision of services | 1,505,589 | 7,273 | -954,851 | 579 | 558,590 | -794,518 | -235,928 |

Service Income and Expenditure 2009/10

| | 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 |
|--|---|---|----------------------------|----------------------|--|----------------------------------|------------------|
| Expenditure | | | | | | | |
| Employee costs | 630,851 | 109,976 | 107,133 | 32,036 | 29,321 | 68,324 | 977,641 |
| Premises Related Expenditure | 46,200 | 3,341 | 3,582 | 5,188 | 4,259 | 13,415 | 75,985 |
| Transport Related Expenditure | 4,206 | 27,220 | 5,434 | 1,580 | 1,342 | 1,463 | 41,245 |
| Supplies & Services | 146,874 | 26,672 | 17,484 | 62,551 | 15,159 | 16,065 | 284,805 |
| Third Party Payments | 20,207 | 43,891 | 235,400 | 30,637 | 275 | 3,591 | 334,001 |
| Transfer Payments | 2,368 | 1,484 | 12,813 | 88 | 47 | 59 | 16,859 |
| Support Services | 110,686 | 31,298 | 10,180 | 1,004 | 1,728 | 15,030 | 169,926 |
| Income | | | | | | | |
| Other Grants Reimbursements and Contributions | -31,806 | -23,783 | -35,307 | -777 | -6,603 | -2,285 | -100,561 |
| Sales | -18,689 | -2,059 | -24 | -144 | -1,120 | -108 | -22,144 |
| Fees and Charges | -40,075 | -11,306 | -51,290 | -25,153 | -9,022 | -14,773 | -151,619 |
| Rents | -5,353 | -275 | -14 | -1,053 | -443 | -1,883 | -9,021 |
| Interest | -48 | 24 | -1 | -4 | -8 | - | -37 |
| Other | | | | | | | |
| Transfer to/ from business unit reserves | - | -133 | - | - | - | - | -133 |
| Recharges between departments | -67,715 | -36,553 | -3,526 | -10,921 | -1,198 | -27,208 | -147,121 |
| Service analysis total | 797,706 | 169,797 | 301,864 | 95,032 | 33,737 | 71,690 | 1,469,826 |

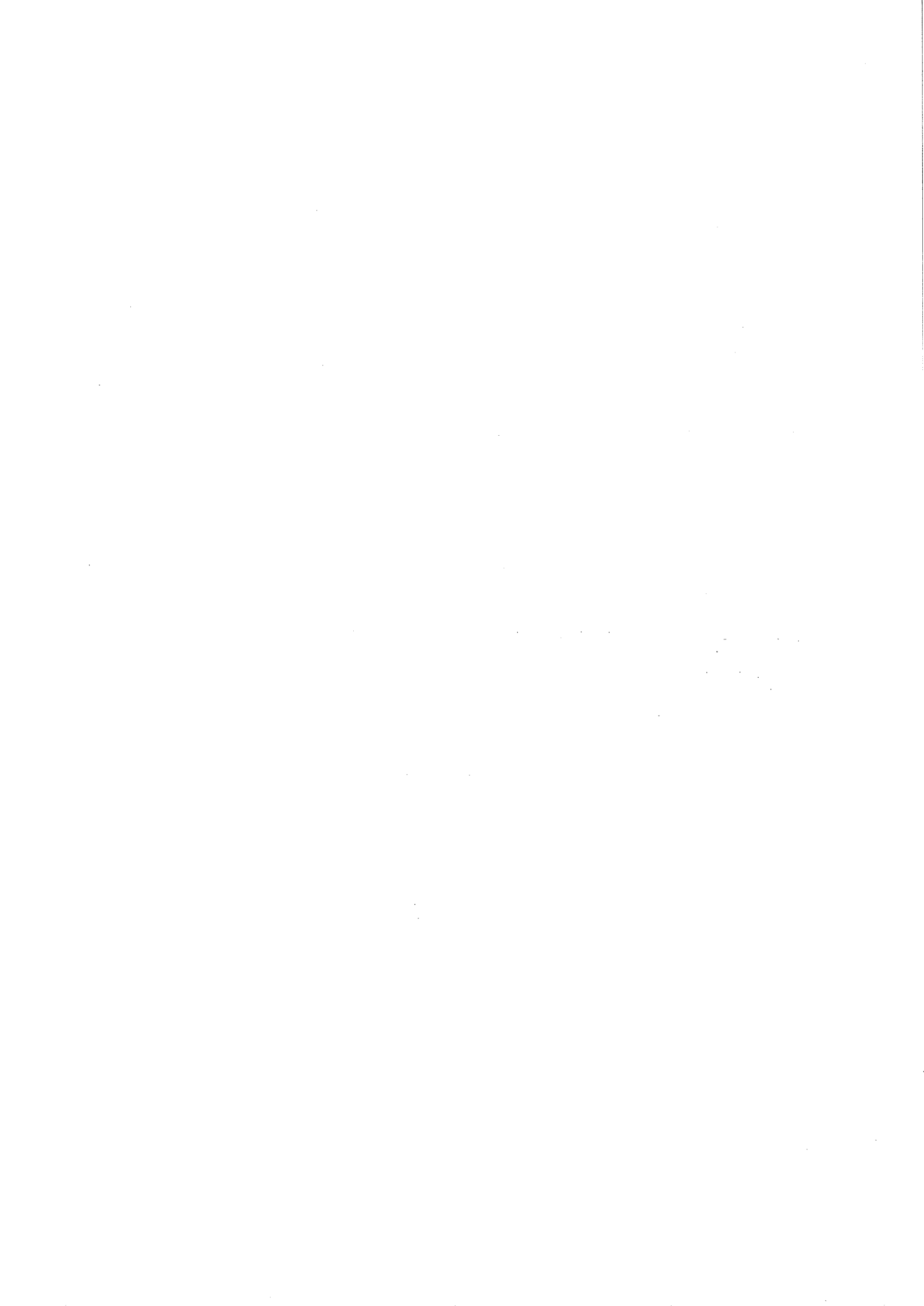
Reconciliation between the service analysis and the net expenditure of continuing services 2009/10

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.

| | | |
|---|----------|----------------|
| Service analysis total | £'000 | £'000 |
| | | 1,469,826 |
| Net expenditure of services and support service not included in the analysis | | |
| Winter Maintenance | 6,133 | |
| Flood Levy | 553 | |
| Coroners | 1,272 | |
| | | 7,958 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the service analysis | | |
| Specific Grants | -857,230 | |
| Current pension cost adjustment | -15,441 | |
| Past pension cost adjustment | -5,599 | |
| Capital charges | 192,860 | |
| Landfill Allowances Trading Scheme Income | -226 | |
| Other service expenditure | - | |
| School catering support | 216 | |
| VAT rebate | -53 | |
| Transfer to/ from provisions | -4,182 | |
| Employee benefit accrual | 2,995 | |
| | | -686,660 |
| Amounts in the analysis not included in the Comprehensive Income and Expenditure Statement cost of services | | |
| Income on investment properties | | 875 |
| Expenditure of investment properties | | -432 |
| Cost of Services in Comprehensive Income and Expenditure Statement | | 791,567 |

Reconciliation between segmental analysis and net expenditure of continuing services 2009/10

| | 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 | -182,784 | -3 | -279 | -432 | -183,498 | | -183,498 |
| Interest and investment income (including expected return on Income from council tax) | -37 | | | | -37 | -56,175 | -56,212 |
| Government grants and contributions | -100,561 | -1036 | -857,230 | | -958,827 | -264,736 | -1,223,563 |
| Net investment property gains and losses | | | | | | -3,806 | -3,806 |
| Total Income | -283,382 | -1,039 | -857,509 | -432 | -1,142,362 | -838,220 | -1,980,582 |
| Employee expenses | 977,641 | 550 | -18,045 | | 960,146 | | 960,146 |
| Other service expenses | 752,895 | 8,447 | 216 | 875 | 762,433 | | 762,433 |
| Support Service recharges | 22,805 | | | | 22,805 | | 22,805 |
| Depreciation, amortisation and impairment | | | 192,860 | | 192,860 | | 192,860 |
| Interest Payments | | | | | | 132,203 | 132,203 |
| Loss on Disposal of Fixed Assets | | | | | | 471 | 471 |
| Total operating expenses | 1,753,341 | 8,997 | 175,031 | 875 | 1,938,244 | 132,674 | 2,070,918 |
| Transfers to/ from reserves and provisions | -133 | | -4,182 | | -4,315 | | -4,315 |
| Surplus or deficit on the provision of services | 1,469,826 | 7,958 | -686,660 | 443 | 791,567 | -705,546 | 86,021 |



21 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 £2,632,000 (2009/10 overall surplus of £1,989,000) as follows:

| | | 2009/10 £'000 | 2010/11 £'000 |
|---|---------------------------|------------------|------------------|
| Former Direct Services Organisation | | | |
| - provides catering and cleaning services to schools and some non-educational sites in Hampshire and supplies vehicle to departments of the County Council. | Turnover | -27,369 | -27,559 |
| | Expenditure | 26,957 | 26,752 |
| | Surplus(-) | -412 | -807 |
| Education Business Units | | | |
| - provide support services principally to schools but also to other departments and other local authorities. | Turnover | -42,090 | -34,674 |
| | Expenditure | 42,223 | 34,544 |
| | Deficit/Surplus(-) | 133 | -130 |
| Information Technology Services | | | |
| - provided to County Council departments and some other local authorities. | Turnover | -37,602 | -46,217 |
| | Expenditure | 36,949 | 44,786 |
| | Surplus(-) | -653 | -1,431 |
| County Supplies | | | |
| - operate the central purchasing warehouse and arrange direct delivery and other contracts for County Council departments, other local authorities and voluntary organisations. | Turnover | -11,396 | -11,321 |
| | Expenditure | 10,643 | 11,024 |
| | Surplus(-) | -753 | -297 |
| Hampshire Printing Services | | | |
| - provide printing and reprographic services to County Council departments. | Turnover | -2,782 | -2,323 |
| | Expenditure | 2,692 | 2,494 |
| | Surplus(-)defici | -90 | 171 |
| Six other smaller trading units | | | |
| - including a surplus of £57,000 (£164,000 surplus in 2009/10) on the management of the River Hamble. | Turnover | -1,636 | -1,626 |
| | Expenditure | 1,422 | 1,488 |
| | Surplus(-) | -214 | -138 |
| | Total Surplus(-) | -1,989 | -2,632 |

22 Pooled Budgets

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

The County Council is a partner in Hampshire's Comprehensive CAMHS 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

| | | 2009/10 | 2010/11 | |
|---|---------------|------------|---------------|------------|
| | | £'000 | £'000 | |
| Gross income | | | | |
| Hampshire County Council | -1,924 | | -1,833 | |
| NHS Hampshire | <u>-7,526</u> | -9,450 | <u>-7,696</u> | -9,529 |
| Expenditure | | | | |
| Hampshire County Council | 1,909 | | 1,829 | |
| NHS Hampshire | 7,471 | 9,380 | 7,681 | 9,510 |
| Surplus | | -70 | | -19 |
| Council's share of the net surplus arising on the pooled budget | | -15 | | -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)

| | | 2009/10 | 2010/11 | |
|---|-------------|-------------|-------------|-------------|
| | | £'000 | £'000 | |
| Gross income | | | | |
| Hampshire County Council | -79 | | -82 | |
| Hampshire Primary Care Trust | <u>-896</u> | -975 | <u>-927</u> | -1,009 |
| Expenditure | | | | |
| Hampshire County Council | 67 | | 69 | |
| Hampshire Primary Care Trust | 761 | 828 | 835 | 904 |
| Surplus | | -147 | | -105 |
| Council's share of the net surplus arising on the pooled budget | | -12 | | -13 |

23 Members' allowances

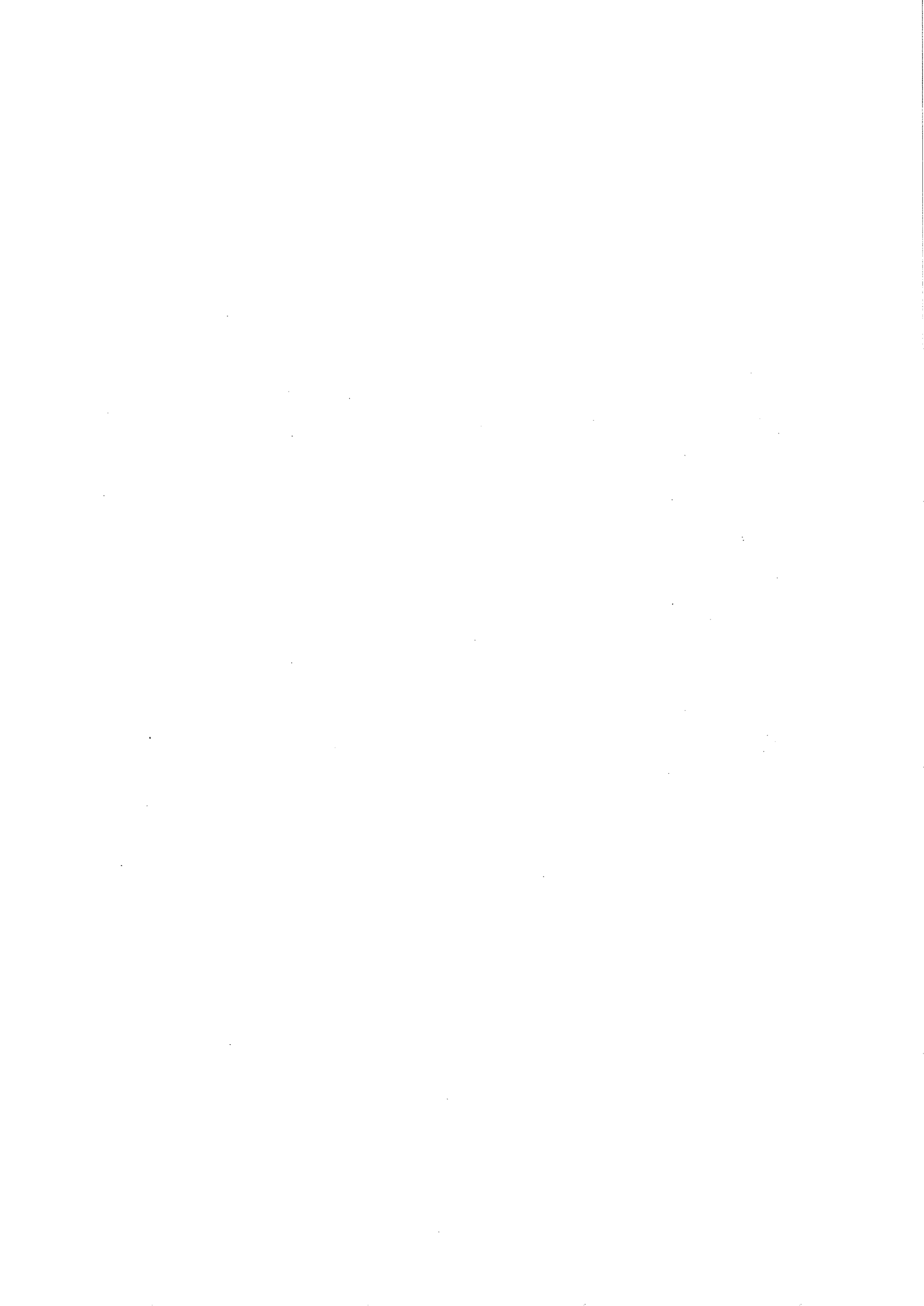
The Authority paid the following amounts to members of the council during the year.

| | 2009/10 £'000 | 2010/11 £'000 |
|--------------|------------------|------------------|
| Allowances | 1,329 | 1,302 |
| Expenses | 110 | 85 |
| Total | 1,439 | 1,387 |

24a Officers' emoluments

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.

| | Number of employees | | | | | | | | |
|---------------------|---------------------|-------|-------|-----------------------|-------|---------|-----------------------|-------|-------|
| | 2009/10 | | | 2010/11 | | | 2010/11 | | |
| | Schools | Other | Total | Including Termination | | | Excluding Termination | | |
| Schools | | | | Other | Total | Schools | Other | Total | |
| £50,000 - £54,999 | 271 | 198 | 469 | 267 | 144 | 411 | 266 | 156 | 422 |
| £55,000 - £59,999 | 176 | 118 | 294 | 180 | 124 | 304 | 180 | 125 | 305 |
| £60,000 - £64,999 | 97 | 62 | 159 | 135 | 50 | 185 | 134 | 41 | 175 |
| £65,000 - £69,999 | 43 | 43 | 86 | 50 | 69 | 119 | 49 | 54 | 103 |
| £70,000 - £74,999 | 21 | 24 | 45 | 31 | 40 | 71 | 31 | 31 | 62 |
| £75,000 - £79,999 | 12 | 16 | 28 | 15 | 15 | 30 | 15 | 13 | 28 |
| £80,000 - £84,999 | 20 | 6 | 26 | 15 | 16 | 31 | 15 | 14 | 29 |
| £85,000 - £89,999 | 5 | 11 | 16 | 15 | 12 | 27 | 15 | 4 | 19 |
| £90,000 - £94,999 | 5 | 3 | 8 | 5 | 18 | 23 | 5 | 3 | 8 |
| £95,000 - £99,999 | 3 | 6 | 9 | 3 | 10 | 13 | 3 | 3 | 6 |
| £100,000 - £104,999 | 1 | 2 | 3 | 3 | 9 | 12 | 3 | 3 | 6 |
| £105,000 - £109,999 | - | 2 | 2 | 1 | 5 | 6 | 1 | 3 | 4 |
| £110,000 - £114,999 | 2 | 1 | 3 | 1 | 3 | 4 | 1 | - | 1 |
| £115,000 - £119,999 | 3 | - | 3 | 1 | 1 | 2 | 1 | - | 1 |
| £120,000 - £124,999 | - | 1 | 1 | 1 | 2 | 3 | 1 | 1 | 2 |
| £125,000 - £129,999 | - | - | - | - | 1 | 1 | - | - | - |
| £130,000 - £134,999 | 1 | - | 1 | - | 2 | 2 | - | - | - |
| £135,000 - £139,999 | - | - | - | - | 1 | 1 | - | - | - |
| £140,000 - £144,999 | - | - | - | - | 3 | 3 | - | - | - |
| £145,000 - £149,999 | - | - | - | - | 2 | 2 | - | - | - |
| | 660 | 493 | 1,153 | 723 | 527 | 1,250 | 720 | 451 | 1,171 |



24b Senior Employees' remuneration

This statement covers the remuneration of members of the Corporate Management Team

| Senior Employees 2009/10 | 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 | 207,969 | - | - | - | 38,679 | 246,648 |
| Director of Children's Services (and Deputy Chief Executive from 1 May 2009) John Coughlan | 158,190 | 5,000 | - | - | 30,351 | 193,541 |
| County Treasurer Jon Pittam | 158,190 | - | -202 | - | 29,421 | 187,409 |
| Director of Environment (to 20 September 2009)/ Acting Director of Environment (from 21 September 2009) | 139,762 | - | 269 | - | 26,093 | 166,124 |
| Director of Economic Development (appointed 21 September 2009) | 85,849 | - | 74 | - | 15,909 | 101,832 |
| Director of Property, Business and Regulatory Services (Acting Director until 1 May 2009) | 138,622 | 1,000 | - | - | 25,968 | 165,590 |
| Director of Adult Services | 136,262 | - | 68 | - | 25,338 | 161,668 |
| Director of Culture, Communities and Rural affairs | 124,893 | - | -8 | - | 23,228 | 148,113 |
| Director of Human resources | 124,893 | 1,000 | - | - | 23,414 | 149,307 |
| Senior Employees 2010/11 | | | | | | |
| | £ | £ | £ | £ | £ | £ |
| 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) Carolyn Williamson (from 17 August 2010) | 33,637 96,667 | - - | 41 - | - - | 5,691 18,463 | 39,369 115,130 |
| 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 |

* 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.



25 External Audit fees

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

| | 2009/10 £'000 | 2010/11 £'000 |
|---------------------------|------------------|------------------|
| Code of Audit Practice | 264 | 255 |
| Grant Claims | 4 | 4 |
| Inspection | 18 | - |
| National Fraud Initiative | 2 | 2 |
| | 288 | 261 |

26 Disclosure of deployment of 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, 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 2010/11 are as follows:

| | Central expenditure £'000 | Individual Schools Budget £'000 | Total £'000 |
|--|---------------------------------|--|----------------|
| Final DSG for 2010/11 as issued by the DfE on 22 February 2011 | | | -718,908 |
| Brought forward from 2010 as agreed with DCSF | | | -12,638 |
| Carry forward to 2011/12 agreed in advance with the Schools Forum | | | 16,188 |
| Agreed budgeted distribution | -111,567 | -603,791 | -715,358 |
| Actual central expenditure | 105,704 | | 105,704 |
| Actual ISB deployed to schools | | 603,791 | 603,791 |
| Local authority contribution for 2010/11 | 0 | | 0 |
| Carry forward to 2011/12 | -5,863 | - | -5,863 |
| Carry forward to 2011/12 agreed in advance with the Schools Forum | | | -16,188 |
| Total carry forward | | | -22,051 |

27 Grant Income

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

| | 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Non-ringfenced Government grants | -72,587 | -87,790 |
| Capital Grants and Contributions: | | |
| Social Care IT Infrastructure Grant | -301 | -322 |
| Mental Health Grant | -291 | -290 |
| Social Care Reform Grant | 0 | -569 |
| Extra Care Housing Grant | -1,592 | 0 |
| Department of Health Single Capital Pot | -731 | -731 |
| Common Assessment Framework | -493 | -705 |
| Waste Performance and Efficiency Grant | -2,281 | -840 |
| Local Transport Capital Block Funding Grant | -4,472 | -1,113 |
| New Growth Point Fund Grant | -2,439 | -175 |
| Communities Infrastructure Fund Grant | -5,206 | -10,729 |
| Other Highways, Roads and Transport Grants | -849 | -2,491 |
| South East England Development Agency Grant | -190 | 0 |
| Havant Public Service Village Grant | -240 | -4,230 |
| Bordon Eco Town Grant | 0 | -1,035 |
| Safe and Strong Communities Grant | -717 | -179 |
| LPSA2 Pump Priming Grant | -1,520 | 0 |
| Improvement and Efficiency Funding | -1,373 | 0 |
| Standard's Fund | -36,274 | -42,320 |
| Sure Start and Early Years Grant | -6,033 | -17,332 |
| Young People's Learning Agency Capital Works Grant | -5,816 | -1,015 |
| Youth Capital Fund | -610 | -466 |
| Aiming High for Disabled Children | -393 | -1,277 |
| Other Children's Services and Education Grants | -597 | -479 |
| Co-Location Funding | -58 | -2,266 |
| Lottery Funding | -365 | -251 |
| Aiming High Funding | -200 | -311 |
| Other cultural services funding | -596 | -219 |
| Developer's contributions | -4,717 | -6,498 |
| Other contributions | -2,896 | -1,414 |
| Contributions from other Local Authorities | -1,154 | -4,716 |
| Less: Capital income used to fund revenue expenditure under statute | 7,898 | 12,541 |
| Total | (147,093) | (177,222) |

Credited to Services

| | | |
|---|------------------|------------------|
| Supporting People Care Grant | -30,628 | -382 |
| HIV Grant | -236 | -276 |
| Social Care Reform Grant | -3,618 | -4,490 |
| Learning Disabilities Campus Programme Grant | -1,697 | -3,728 |
| Stroke Carers Grant | -265 | -145 |
| Handy Person Grant | -150 | -220 |
| Invest To Save Grant | -240 | 0 |
| Other Adult Services Grants | 0 | -133 |
| PFI Street Lighting Grant | 0 | -8,979 |
| Transport Asset Management Grant | -439 | 0 |
| Bikeability Training Grant | -76 | -252 |
| European Projects Grants | -67 | 0 |
| School Travel Plan Grant | -260 | -222 |
| Anti-Social Behaviour Grant | 0 | -44 |
| Local Authority Business Growth Incentives Grant | -796 | 0 |
| LPSA Grant | -1,514 | 0 |
| School Meals Grant | -1,262 | -1,244 |
| Dedicated School's Grant | -689,217 | -709,495 |
| Standard's Fund Grant | -64,414 | -66,481 |
| Direct Schools Grant | -34,656 | -35,076 |
| Sure Start and Early Years Grant | -22,798 | -27,102 |
| Aiming High for Disabled Children Grant | -1,422 | -4,661 |
| 14-19 Diploma Grant | -1,968 | -2,373 |
| Unaccompanied Asylum Seeking Children Grant | -1,195 | -920 |
| Youth Opportunity Fund | -581 | -624 |
| Family Intervention Projects | -379 | -619 |
| EU Milk Subsidy | -187 | -181 |
| Targeted Mental Health in Schools Grant | -209 | -161 |
| ICS Grant | -147 | 0 |
| Contact Point Grant | -358 | -116 |
| Young People's Learning Agency Grant | -16,479 | -15,544 |
| Other Children's Services and Education Grants | -702 | -544 |
| Find Your Talent Grant | -835 | -10 |
| Museums, Libraries and Archives Council Funding | -2,454 | -2,851 |
| Heritage Lottery Fund | -40 | -209 |
| Arts Council Funding | -61 | -10 |
| Other Cultural Grants | -46 | -197 |
| Other Countryside Grants | -279 | -258 |
| Developer's Contributions | -2,035 | -1,956 |
| Add: Capital income used to fund revenue expenditure under statute | -7,898 | -12,541 |
| Total | (889,608) | (902,044) |

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 2010 £'000 | 31 March 2011 £'000 |
|--|---------------------------|---------------------------|
| Capital Grants Receipts in Advance | | |
| Improving Care Home Environment for Older People Grant | -118 | -118 |
| Common Assessment Framework Grant | -716 | -1,858 |
| Standards Fund | -39,091 | -34,475 |
| Aiming High For Disabled Children Capital Fund | -88 | 0 |
| Youth Capital Fund | -209 | 0 |
| New Deals for Schools Grant | -948 | 0 |
| Communities Infrastructure Fund Grant | -3,229 | 0 |
| Pot Hole Grant | 0 | -6,017 |
| Bordon Eco Town Grant | 0 | -220 |
| Havant Public Service Village Grant | 0 | -631 |
| Other transport grants | -13 | -12 |
| Co-Location Fund | -680 | -3,573 |
| Other countryside grants | -50 | -81 |
| Other cultural grant | -16 | -5 |
| Total | (45,158) | (46,990) |

Revenue Grants Receipts in Advance

| | | |
|---|-----------------|-----------------|
| LD Campus Closure Grant | -492 | 0 |
| Supporting People Care Grant | -382 | 0 |
| Dedicated School's Grant | -12,638 | -22,051 |
| Standard's Fund | -3,539 | -6,662 |
| Childcare Strategy Grant | -165 | -174 |
| Other Children's Services and Education Grants | -1,583 | -193 |
| Section 31 Grant | -100 | -190 |
| Bordon Rail Link Study Grant | -150 | -53 |
| Support for Community Transport Services Grant | 0 | -270 |
| Other Transport Grants | -25 | -8 |
| Other Planning Grants | 0 | -17 |
| Museums, Libraries and Archives Council Funding | -44 | -26 |
| Young People's Learning Agency Grant | -1,504 | -1,431 |
| Arts Council Funding | -74 | -74 |
| Other Countryside Grants | -276 | -353 |
| Other Cultural Grants | -95 | -142 |
| Future Jobs Fund | -299 | -404 |
| Anti-Social Behaviour Grant | -44 | 0 |
| Total | (21,410) | (32,048) |

28 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 Authority.

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 20. Grant receipts outstanding at 31 March 2011 are shown in note 27.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 23 . There were 39 related party transactions totalling £38,570 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 members or chief officers of the Council. Details of senior officer remuneration are given in note 24b.

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 198 other contributing scheduled and admitted bodies (191 in 2009/10).

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.

These two authorities pool surplus cash balances with the County Council and are paid interest at the average monthly seven-day rate.

Transactions with these related parties are shown below:

| | 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|------------------|
| Pension Fund | | |
| Interest paid | 356 | 201 |
| Temporary borrowing 31 March | -50,767 | 0 |
| Administration charge | -2,109 | -2,415 |
| Hampshire Police Authority | | |
| Interest paid | 67 | 45 |
| Temporary borrowing/investment 31 March | -7,603 | 0 |
| Hampshire Fire and Rescue Authority | | |
| Interest (received)/paid | 8 | -11 |
| Temporary investments/borrowing 31 March | 3,282 | -2,550 |

29 Capital financing

| | 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|------------------|
| Opening capital financing requirement | 712,662 | 714,945 |
| Capital spending on fixed assets | 152,788 | 175,894 |
| Revenue expenditure funded by capital under statute | 14,776 | 20,438 |
| <hr/> | | |
| Funded by: | | |
| Capital receipts | -11,493 | -13,030 |
| Grants and other income | -76,750 | -102,717 |
| Revenue | | |
| - main contribution | -37,484 | -10,636 |
| - reserves | -10,709 | -5,471 |
| Minimum revenue provision | -28,845 | -31,839 |
| | 714,945 | 747,584 |
| <hr/> | | |
| Explanation of movements in year | | |
| Increase/decrease in borrowing (supported by government financial assistance) | 9,467 | 12,994 |
| Increase/decrease in borrowing (unsupported by government financial assistance) | -3,987 | 10,691 |
| Increase/decrease in borrowing related to finance leases | 0 | 0 |
| Increase/decrease in borrowing related to PFI/PPP contracts | -3,197 | 8,954 |
| Increase in Capital Financing Requirement | 2,283 | 32,639 |



30a 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:

| | 2009/10 | | | 2010/11 | | |
|---|-----------------------------------|--|----------------|-----------------------------------|--|----------------|
| | 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 | 3,350 | 4,144 | 7,494 | 3,281 | 3,700 | 6,981 |
| Later than one year and not later than five years | 14,375 | 4,391 | 18,766 | 9,955 | 4,632 | 14,587 |
| Later than five years | 18,876 | 178 | 19,054 | 14,020 | 38 | 14,058 |
| Total payments | 36,601 | 8,713 | 45,314 | 27,256 | 8,370 | 35,626 |

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

| | 2009/10 £'000 | 2010/11 £'000 |
|--------------------------------|------------------|------------------|
| Minimum lease payments | 8,079 | 8,031 |
| Contingent rents | - | - |
| (Sublease payments receivable) | -493 | -518 |
| Total net expenditure | 7,586 | 7,513 |

30b 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:

| | 2009/10 | 2010/11 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Not later than one year | 2,817 | 6,387 |
| Later than one year and not later than five years | 19,213 | 12,553 |
| Later than five years | 62,548 | 48,330 |
| | <u>84,578</u> | <u>67,270</u> |

30c Leases - Finance leases

At 31 March 2011, the County Council has not taken or granted any material finance leases.

31 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 2010/11 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

| | 2009/10 | 2010/11 |
|-------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Gross book value | | |
| At 1 April | 95,227 | 95,227 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Revaluations | 0 | 0 |
| Gross book value at 31 March | 95,227 | 95,227 |
| Depreciation | | |
| At 1 April | -5,638 | -11,276 |
| Depreciation for the year | -5,638 | -5,638 |
| Impairments | 0 | 0 |
| Depreciation at 31 March | -11,276 | -16,914 |
| Net book value at 1 April | 89,589 | 83,951 |
| Net book value at 31 March | 83,951 | 78,313 |

The movement in the deferred liability was:

| | 31 March 2009/10 | 31 March 2010/11 |
|-------------------------------------|---------------------|---------------------|
| | £'000 | £'000 |
| Balance brought forward 1 April | -88,722 | -85,525 |
| Principal repayment in the year | 3,197 | 3,454 |
| Balance at 31 March | -85,525 | -82,071 |
| Finance lease repayable in one year | -3,454 | -3,730 |
| deferred liability | -82,071 | -78,341 |
| Balance at 31 March | -85,525 | -82,071 |

The waste management contract has 16 years to run. The expected payments are shown below.

| | Principal repayment | Interest | Service Charge | Total |
|-------------------|------------------------|---------------|-------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Next year | 3,730 | 6,565 | 34,704 | 44,999 |
| Years two to five | 18,147 | 23,033 | 161,314 | 202,494 |
| Years six to 10 | 32,150 | 19,325 | 244,296 | 295,771 |
| Years 11 to 15 | 28,044 | 5,137 | 204,003 | 237,184 |
| | 82,071 | 54,060 | 644,317 | 780,448 |

The South Coast Street Lighting PFI

The County Council has entered into 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 2010/11 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 during the year were as follows:

| | 2010/11 |
|-------------------------------------|---------------|
| | £'000 |
| Gross book value | |
| At 1 April | 0 |
| Additions | 14,741 |
| Disposals | 0 |
| Revaluations | 0 |
| Gross book value at 31 March | 14,741 |
| | |
| Depreciation | |
| At 1 April | 0 |
| Depreciation for the year | 0 |
| Impairments | 0 |
| Depreciation at 31 March | 0 |
| | |
| Net book value at 1 April | 0 |
| Net book value at 31 March | 14,741 |

| | 31 March |
|---|----------------|
| | 2010/11 |
| | £'000 |
| The movement in the deferred liability was: | |
| Balance brought forward 1 April | 0 |
| Principal repayment in the year | 2,333 |
| Capital expenditure incurred in the year | -14,741 |
| Balance at 31 March | -12,408 |
| | |
| Finance lease repayable in one year | -2,205 |
| deferred liability | -10,203 |
| Balance at 31 March | -12,408 |

The street lighting contract has 25 years to run. The expected payments are shown below:

| | Principal repayment £'000 | Interest £'000 | Service Charge £'000 | Total £'000 |
|-------------------|---------------------------------|-------------------|----------------------------|----------------|
| Next year | 2,205 | 2,262 | 5,028 | 9,495 |
| Years two to five | 10,333 | 24,363 | 22,865 | 57,561 |
| Years six to 10 | 19,016 | 32,752 | 35,432 | 87,200 |
| Years 11 to 15 | 25,555 | 26,212 | 44,156 | 95,923 |
| Year 16 to 20 | 34,345 | 17,425 | 54,240 | 106,010 |
| Year 21 to 25 | 35,802 | 5,612 | 51,706 | 93,120 |
| | 127,256 | 108,626 | 213,427 | 449,309 |

A PFI grant of £9 million was received from the Department of Transport to the County Council in 2010/11 with a balance of £225 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 £117 million.

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 2010/11 total employer's contributions were £50.91 million representing 14.1% of pensionable pay (£49.89 million representing 14.1% of pensionable pay in 2009/10).

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 2010/11, 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

| | 2009/10 % per year | 2010/11 % per year |
|---|-----------------------|-----------------------|
| Rate of discount for scheme liabilities - funded pensions | 5.5 | 5.4 |
| Rate of discount for scheme liabilities - unfunded pensions | 5.5 | 5.5 |
| Rate of increase in salaries | 5.15 | 4.95 |
| Rate of increase in pensions in payment - funded pensions | 3.65 | 2.55 |
| Rate of increase in pensions in payment - unfunded pensions | 3.55 | 2.45 |
| Rate of increase in deferred pensions | 3.65 | 2.55 |
| Proportion of employees opting to take a commuted lump sum: | | |
| for pre 1 April 2008 service | 25.0 | 25 |
| for post 1 April 2008 service | 75.0 | 75 |
| RPI inflation - funded pensions | 3.65 | n/a |
| RPI inflation - unfunded pensions | 3.55 | n/a |
| CPI inflation - funded pensions | n/a | 2.55 |
| CPI inflation - unfunded pensions | n/a | 2.45 |

Principal demographic assumptions

| Post retirement mortality | 2009/10 | 2010/11 |
|---|--|--|
| Men | | |
| Base table | PNMA00 with allowance for MC improvement factors to 2007 | Standard SAPS Normal Health Light Amounts |
| Scaling to above base table rates | 110% | 100% |
| Improvements to base table rates | 80% of long cohort (from 2007) with a minimum improvement of 1.25% | CMI_2009 with a longterm rate of improvement |
| Future lifetime from age 65 (currently aged 65) | 22.3 | 23.8 |
| Future lifetime from age 65 (currently aged 45) | 24.7 | 25.6 |

| | | |
|---|---|---|
| Women | | |
| Base table | PNFA00 with allowance for MC improvement factors | Standard SAPS Normal Health Light Amounts |
| Scaling to above base table rates | 110% | 100% |
| Improvements to base table rates | 60% of long cohort (from 2007) with a minimum underpin to improvement factors of 1.25% p.a. | CMI_2009 with a longterm rate of improvement of |
| Future lifetime from age 65 (currently aged 65) | 24.3 | 24.8 |
| Future lifetime from age 65 (currently aged 45) | 26.5 | 26.7 |

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 2011.

| | 2009/10 % per year | 2010/11 % per year |
|---|-----------------------|-----------------------|
| Rate of return on equities (shares) | 8 | 8.4 |
| Rate of return on Government bonds | 4.5 | 4.4 |
| Rate of return on property | 8.5 | 7.9 |
| Rate of return on corporate bonds | 5.5 | 5.1 |
| Rate of return on cash | 0.7 | 1.5 |
| Average long-term expected rate of return | 6.7 | 7.1 |

The actual return on scheme assets in the year was £62.1 million (£288.6 million in 2009/10)

32c Transactions relating to pension benefits

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:

| | 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|------------------|
| Included in the Comprehensive Income and Expenditure Statement: | | |
| Current service cost of funded LAPS pensions | 48,800 | 63,140 |
| Charge to non-distributed costs for early retirement in the year: | -255 | -240,355 |
| Interest cost on pension liabilities | | |
| LAPS funded liabilities | 102,610 | 104,610 |
| LAPS unfunded liabilities | 1,740 | 1,450 |
| Teachers' unfunded liabilities | 2,410 | 2,010 |
| | <hr/> | <hr/> |
| Expected return on Pension Fund assets | -49,070 | -78,930 |
| Total post employment benefits charges to the surplus/deficit on the provision of services | 106,235 | -148,075 |
| actuarial losses | 199,110 | 18,770 |
| Total post employment benefits charges to the Comprehensive Income and Expenditure Statement | 305,345 | -129,305 |

Movement in reserves statement

| | | |
|--|-----------------|----------------|
| Reversal of net changes made to the surplus/deficit for the provision of services for post employment benefits in accordance with the Code | -235,760 | 209,370 |
| 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: | -64,241 | -66,999 |
| LAPS | -2,642 | -10,388 |
| Teachers | -2,702 | -2,678 |
| | -305,345 | 129,305 |

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 £18.8 million.

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

| Period ended 31 March 2010 | LGPS funded £'000 | LGPS Unfunded £'000 | Teachers' Unfunded £'000 | Total £'000 |
|---|-------------------------|---------------------------|--------------------------------|-------------------|
| Opening present value of liabilities | -1,523,940 | -27,020 | -37,310 | -1,588,270 |
| Current service cost | -48,800 | - | - | -48,800 |
| Interest cost | -102,610 | -1,740 | -2,410 | -106,760 |
| Contributions by participants | -23,140 | - | - | -23,140 |
| Actuarial gains/(losses) on liabilities | -432,890 | -2,320 | -3,440 | -438,650 |
| Net benefits paid out (note i) | 57,620 | 1,990 | 2,730 | 62,340 |
| Past service cost | -1,000 | 0 | 0 | -1,000 |
| Closing present value of liabilities | -2,074,760 | -29,090 | -40,430 | -2,144,280 |

| Period ended 31 March 2011 | LGPS funded £'000 | LGPS Unfunded £'000 | Teachers' Unfunded £'000 | Total £'000 |
|---|-------------------------|---------------------------|--------------------------------|-------------------|
| Opening present value of liabilities | -2,074,760 | -29,090 | -40,430 | -2,144,280 |
| Current service cost | -63,140 | - | - | -63,140 |
| Interest cost | -104,610 | -1,450 | -2,010 | -108,070 |
| Contributions by participants | -23,520 | - | - | -23,520 |
| Actuarial gains/(losses) on liabilities | -3,740 | 870 | 900 | -1,970 |
| Net benefits paid out (note i) | 63,450 | 1,940 | 2,690 | 68,080 |
| Past service gain | 238,730 | 2,390 | 3,360 | 244,480 |
| Closing present value of liabilities | -1,967,590 | -25,340 | -35,490 | -2,028,420 |

"In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the authority's pension liabilities by £244m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

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.

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

| | 31 March 2010 £'000 | 31 March 2011 £'000 |
|-------------------------------------|---------------------------|---------------------------|
| Opening fair value of assets | 860,700 | 1,180,950 |
| Expected return on assets | 49,070 | 78,930 |
| Actuarial gains/(losses) on assets | 239,540 | -16,800 |
| Contributions by employer | 66,120 | 71,310 |
| Contributions by participants | 23,140 | 23,520 |
| Net benefits paid out (note i) | -57,620 | -63,450 |
| Closing fair value of assets | 1,180,950 | 1,274,460 |

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.

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 2007 £'000 | 31 March 2008 £'000 | 31 March 2009 £'000 | 31 March 2010 £'000 | 31 March 2011 £'000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Present value of liabilities in the scheme: | | | | | |
| LGPS funded | -1,601,250 | -1,431,240 | -1,523,940 | -2,074,760 | -1,967,590 |
| Unfunded Liabilities: | | | | | |
| LGPS | -29,050 | -26,770 | -27,020 | -29,090 | -25,340 |
| Teachers | -39,540 | -36,280 | -37,310 | -40,430 | -35,490 |
| | -1,669,840 | -1,494,290 | -1,588,270 | -2,144,280 | -2,028,420 |
| Fair value of assets in the scheme | 1,059,280 | 1,053,980 | 860,700 | 1,180,950 | 1,274,460 |
| Deficit | -610,560 | -440,310 | -727,570 | -963,330 | -753,960 |

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
- * 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 2012 is £66.8 million. Expected contributions for discretionary benefits in the year to 31 March 2012 are £5 million.

The proportion of assets by category is shown below:

| | 31 March 2010 % | 31 March 2011 % |
|------------------|-----------------------|-----------------------|
| Equities | 61.3 | 63.4 |
| Government bonds | 24.4 | 23.3 |
| Property | 6.1 | 7.3 |
| Corporate bonds | 2.4 | 1.7 |
| Cash | 5.8 | 4.3 |
| | 100.0 | 100.0 |

32g Net actuarial gain/(loss) on pensions

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities at 31 March 2011:

| | 2006/07 £'000 | 2007/08 £'000 | 2008/09 £'000 | 2009/10 £'000 | 2010/11 £'000 |
|--|-------------------------|--------------------------|-------------------------|---------------------------|--------------------------|
| Difference between expected and actual return on assets | -1,420 -0.1% | -98,040 -9.3% | -288,800 33.6% | 239,540 20.3% | -16,800 -1.3% |
| 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% |
| LGPS unfunded | | -430 -1.6% | -220 -0.8% | 1,320 4.5% | 430 1.7% |
| Teachers unfunded | | - | -400 -1.1% | 1,640 4.1% | 240 0.7% |
| TOTAL | -3,280 -0.2% | 28,790 1.9% | -6,490 -0.4% | 19,620 0.9% | -26,080 -1.3% |
| Changes in assumptions underlying the present value of pension liabilities | | | | | |
| LGPS funded | | 268,020 18.7% | 23,690 1.6% | -449,550 -21.7% | 23,010 1.2% |
| LGPS unfunded | | 2,280 8.5% | -230 -0.9% | -3,640 -12.5% | 440 1.7% |
| Teachers unfunded | | 3,190 8.8% | -360 -1.0% | -5,080 -12.6% | 660 1.9% |
| TOTAL | 7,400 -0.4% | 273,490 18.3% | 23,100 1.5% | -458,270 21.4% | 24,110 1.2% |
| Net actuarial gain/(loss) | 2,700 | 204,240 | -272,190 | -199,110 | -18,770 |

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 £6.9 million at 31 March 2011 (see note 17). In addition, a reserve of £16.7 million is set aside to cover future claims.

The County Council has set aside a reserve of £47.2 million at 31 March 2011 for transitional costs for non-schools staff of implementing the single status agreement to recognise potential equal pay compensation costs. To date 1,199 equal pay claims have been lodged in the employment tribunal. It is unlikely that any claims will be resolved until later in 2011/12 so it is not possible to quantify reliably the liability associated with equal pay compensation.



34 Trust funds

The Council has acted as sole trustee for 24 trust funds (24 in 2009/10) and as administrator for 12 other trust funds (12 in 2009/10). 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 2010 £'000 | Income £'000 | Expenditure £'000 | Transfer of Trust £'000 | Balance at 31 March 2011 £'000 |
|--|---|-----------------|----------------------|----------------------------------|---|
| Sole trustee funds | | | | | |
| Educational trusts | | | | | |
| Butlocks Heath/Netley Abbey School | -278 | -7 | 4 | 281 | - |
| Dayas Music Scholarship | -92 | -5 | 2 | - | -95 |
| Michael Austin Harlick Memorial | -259 | -14 | 15 | - | -258 |
| Mace Educational Trust | -113 | -6 | 6 | - | -113 |
| Other | -16 | - | - | - | -16 |
| Total | -758 | -32 | 27 | 281 | -482 |
| Social Services trusts | | | | | |
| Hampshire Mentally Ill Persons Holiday Organisation | -43 | - | - | - | -43 |
| Hampshire Old Industrial and Reformatory Schools | -67 | -4 | 2 | - | -69 |
| Green Meadows Older Persons Home | -17 | - | - | - | -17 |
| Total | -127 | -4 | 2 | - | -129 |
| Museums trusts | | | | | |
| Allen Curtis Museum Trust | -24 | -3 | 3 | - | -24 |
| Red House Museum Trust | -50 | -4 | 4 | - | -50 |
| Total | -74 | -7 | 7 | - | -74 |
| Libraries trust | | | | | |
| Julian Davies Foundation | -2 | - | - | - | -2 |
| Other | | | | | |
| Hillier Arboretum trust | -12 | - | 1 | - | -11 |
| Total - sole trustee trusts | -973 | -43 | 37 | 281 | -698 |
| Administrator funds | | | | | |
| The Eggars Grammar School Alton Site Foundation | -1,899 | -78 | 3 | - | -1,974 |
| Hampshire Foundation for Young Musician | -67 | -5 | 4 | - | -68 |
| Other | -25 | -1 | - | - | -26 |
| Social services trusts | -6 | - | - | - | -6 |
| Total administrator trusts | -1,997 | -84 | 7 | - | -2,074 |
| Total trust funds | -2,970 | -127 | 44 | 281 | -2,772 |

35 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 2011 the payments remaining under the contract are estimated to be £7.32m.

Enterprise Licence

During 2006/07 the County Council entered into an agreement with IBM to implement an IBM Enterprise Licence.

The implementation programme is expected to take up to five years and will deliver a range of benefits including improved security, a fully integrated information management system and integration of the wide variety of corporate IT systems hosted on Hantsnet.

The payments remaining under the contract are £0.27 million at 31 March 2011 (£0.8 million at 31 March 2010) with approximately 0.5 years remaining.

Project Integra and the South Coast Street Lighting PFI - see note 31