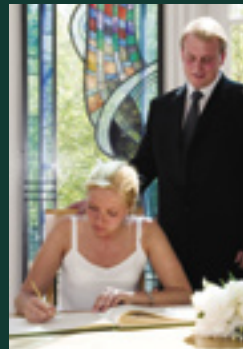


Expenditure net of specific grants and charges

Cultural, environmental and planning services	£000
Children's services and education	108,588
Highways, roads and transport services	284,882
Other services, corporate and non-distributed costs	77,548
	290,291
	97,861
	859,170



Hampshire
County
Council
Statement
of Accounts
2009/10



Services Expenditure
2009/10

Cultural, environmental and planning services
Children's services and education
Highways, roads and transport services
Adult social care
Other services, corporate and non-distributed costs
Net operating expenditure



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You may also request Braille, audio cassette and other language versions.

For general enquiries about Hampshire County Council:

telephone 0845 603 5638*
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*Calls to 0845 are free on some BT call plans but will cost between 4p (local rate) and 6p (national rate) per minute for BT customers not on a plan.
Calls made using other service providers or mobiles may cost more.
Alternatively call 01329 225398
– standard and local call rates may apply to this number.

Summary Statement of Accounts 2009/10

The cost of Hampshire County Council services

The Income and Expenditure Account sets out the cost of running Hampshire County Council's services in 2009/10, and where the money came from to pay for them.

Expenditure net of specific grants and charges 2009/10

	£'000	
Cultural, environmental and planning services	108,588	A
Children's services and education	284,882	B
Highways, roads and transport services	77,548	C
Adult social care	290,291	D
Other services, corporate and non-distributed costs	97,861	E

Net operating expenditure 859,170

Income

Area Based Grant	-45,433	F
General Government Grant	-27,154	G
National business rates	-117,643	G
Council tax	-513,503	H

Income -703,733

Net deficit for year 155,437

Statement of Movement on the General Fund Balance -157,855

General Fund at the start of the financial year -34,512

General Fund at the end of the financial year -36,930

The Statement of Movement on the General Fund Balance summarises the costs that are recorded in the Income and Expenditure Account but are not chargeable to the General Fund. This is why the General Fund Balance has increased by £2,418,000 despite a deficit on the Income and Expenditure Account.

Financial position of the Council

The Balance Sheet presents the Council's financial position at 31 March 2010 and the value of its assets and liabilities. It shows what the Council owns, owes and is owed.

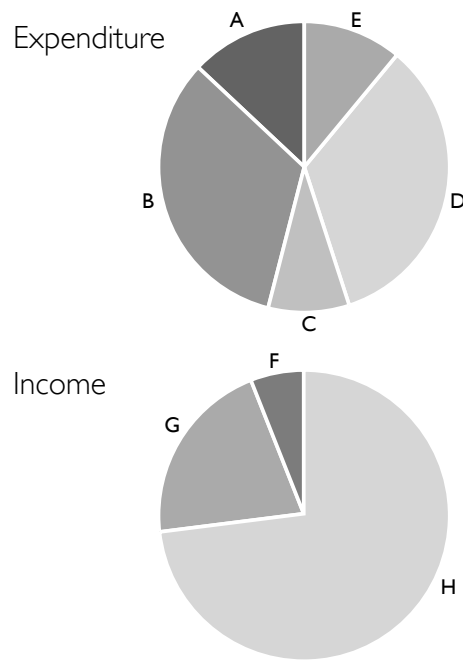
	2009/10 £'000
Land and buildings and infrastructure	3,639,358
Other long-term assets	39,289
Money owed to the Council	92,531
Money owed by the Council	-242,487
Net borrowing	-337,156
Capital contributions and grants applied	-550,200
Pension Fund net liability	-963,330

Total net assets 1,678,005

Financed by:

Non-cash-backed reserves	-1,482,034
Cash-backed reserves	-195,971

Total net worth -1,678,005



The Income and Expenditure Account is drawn up in accordance with UK accounting standards. However, the Government has stipulated that certain costs that form part of the Income and Expenditure Account need not be included in the General Fund for the purpose of setting council tax. These costs are mainly associated with the depreciation of assets and the accrual of retirement benefits, which do not necessarily lead to cash flows in the short and medium term.

Capital expenditure

Capital expenditure is money the Council spent on purchasing and improving assets such as buildings, roads and equipment. The Council receives the benefit from such capital expenditure over many years.

	2009/10 £'000
Adult Services	5,696
Children's Services	87,440
Environment	52,192
Policy & Resources	16,800
Culture, Communities & Rural Affairs	5,436
Total	167,564
Financed by:	
Capital receipts	-11,493
Grants and other income	-76,750
Loans	-31,128
Revenue (main contribution)	-37,484
Revenue (reserves)	-10,709
Total	-167,564

Explanatory foreword

1 Introduction

This document contains Hampshire County Council's Statement of Accounts for the year ended 31 March 2010. The pattern of presentation of the statement is laid down by a code of practice, which the County Council is legally required to follow.

This foreword gives:

- a summary of the various statements that make up the County Council's 2009/10 accounts
- a broad picture of where the money comes from and what it is spent on
- a summary of revenue expenditure on services and capital expenditure on new assets over the course of the year.

2 Summary of Statement of Accounts

The accounts for 2009/10 are set out on pages 8 to 82.

They consist of:

- Statement of accounting policies
- Annual Governance Statement
- Statement of responsibilities for the Statement of Accounts
- Income and Expenditure Account – this covers income and expenditure on all services recorded in accordance with the Local Authority Accounting Code of Practice
- Statement of Movement on the General Fund Balance – identifies the adjustments required to the Income and Expenditure Account in arriving at the General Fund Balance for the purpose of setting council tax
- Statement of Total Recognised Gains and Losses – brings together all the gains and losses in the year that are reflected in the change in net worth
- Balance Sheet – this sets out assets and liabilities at 31 March 2010
- Cash Flow Statement – this summarises all cash coming in or going out for revenue and capital purposes
- Pension Fund accounts – these are the accounts of the Pension Fund, which is operated for employees of the County Council, Hampshire Unitary and District Councils and other bodies.

3 Where the money comes from

Since the introduction of the new schools funding arrangements in 2006/07, most of the Council's income comes from specific Government grants and the council tax. A new general grant has been introduced in 2008/09, the Area Based Grant, from the amalgamation of a number of grants previously paid as specific Government grants. Fees and charges contribute to the cost of some services and interest is earned on day-to-day balances.

The proportion of the Council's income from these sources is as follows:

	2008/09 %	2009/10 %
Council tax	29	28
National business rates	7	7
General Government grant	1	1
Area Based Grant	4	3
Fees, charges and interest	13	14
Specific Government grants	46	47
	100	100

In 2009/10 there was no significant change in the balance of income obtained from the various funding sources.

4 What the money is spent on

Type of expenditure	2008/09 %	2009/10 %
Staff costs	56	57
Running expenses	39	38
Capital financing	5	5
	100	100
Service shares of gross revenue expenditure		
	2008/09 %	2009/10 %
Children's services and education	69	64
Adult social care	19	22
Highways, roads and transport	4	5
Cultural, environmental and planning services	7	7
Other services	1	2
	100	100

The service shares of gross expenditure in 2008/09 were affected significantly by charges to the Income and Expenditure Account to take account of the reduced market value of land and buildings, which have a greater impact on Education than other services. Service shares in 2009/10 reflect a more typical pattern of expenditure and are very similar to those in 2007/08.

5 Employees

In 2009/10 the County Council employed 42,249 people, making the Council one of the largest employers in the county. Many of these employees work part-time. In full-time equivalent (fte) terms, the total number of employees was 28,978 at 31 March 2010, 883 higher than at 31 March 2009, mainly as a result of additional school-based staff, the staffing of new children's centres financed by Government specific grant and additional staff in Adult Services to meet increased demand and to modernise services.

Full-time equivalent employees	March 2009	March 2010
School-based	17,077	17,544
Other Children's Services	3,068	3,252
Adult Services	3,207	3,359
Environment	767	796
Culture, Communities and Rural affairs	1,019	1,017
Central services and internal trading units	2,957	3,010
	28,095	28,978

6 Summary of the year – Revenue account

In 2009/10 the Council continued to pursue its goal of providing services that are of well above average quality, while setting one of the lowest Band D council taxes. The Council continues to receive transitional support through the 'grant floor'. Thus it received, along with other floor authorities, the lowest increase in Government grant of all county councils: 1.75% in 2009/10. The budget was also framed in the context of the significant demographic and legislative pressures affecting social care services and the initial impact of the economic recession. Despite the pressures on the budget, the Council has continued to improve the quality of its services with sustained or improved performance in 67% of the Corporate Improvement Plan indicators, 69% of the Local Area Agreement indicators and 62% of the national indicator set, for which data is available, while maintaining a council tax in the lower quartile. Cash-releasing efficiency improvements assessed at £48.1 million (7.3%) have been identified over the period 2008/09

and 2009/10, including the carry forward of surplus efficiencies in excess of the Spending Review 2004 target, above the 6.1% annual target set for local authorities for the period. Cumulative cashable improvements since 2004/05 amount to £92 million.

For the eighth year running, the County Council's performance has received the top rated assessment by the Audit Commission as reflected in the 2009 organisational assessment.

The main components of the 2009/10 budget, revised budget and actual income and expenditure are set out below:

Budget	Original budget £million	Revised budget £million	Actual £million	Variation from revised £million
Net cost of services	671.6	682.7	782.7	100.0
(Surpluses)/deficits on trading units	-0.4	0.9	-2.0	-2.9
Net interest payable	21.4	23.1	20.3	-2.8
Loss/(gain) on disposal of assets	-	-	0.4	0.4
Pension interest cost and expected return on pensions assets	24.7	57.7	57.7	-
Net operating expenditure	717.3	764.4	859.1	94.7
Amount to be met from Government grant and local taxpayers				
Council tax precept income	-512.2	-512.2	-513.5	-1.3
General Government grant	-27.2	-27.2	-27.2	-
Area Based Grant	-45.1	-45.4	-45.4	-
National business rates	-117.6	-117.6	-117.6	-
	-702.1	-702.4	-703.7	-1.3
Deficit for the year on the Income and Expenditure Account	15.2	62.0	155.4	93.4
Contribution to capital	38.0	45.6	48.2	2.6
Excess of depreciation, impairment net of grant over statutory provision for debt repayment	-48.2	-57.3	-164.6	-107.3
Contribution from pensions reserve	-6.5	-36.6	-36.6	-
Net cost of soft loans, reversal of disposal gain, collection fund adjustment	-	-0.5	0.8	1.3
Contribution to/(from) earmarked reserves	6.3	-9.5	-5.6	3.9
Movement in General Fund Balance	4.8	3.7	-2.4	-6.1
General Fund Balance				
Brought forward 1 April 2009	-28.9	-34.5	-34.5	-
Carried forward 31 March 2010	-24.1	-30.8	-36.9	-6.1

The budget requirement for 2009/10 was set at £657.0 million (net of Area Based Grant of £45.1 million), an increase of 2.3% on the adjusted budget for 2008/09. The budget was influenced by the risks associated with demand-led budgets, the effects of the recession and the achievement of savings within the budget. This resulted in a risk assessment of the required level of General Fund Balance of about £16 million (2.4% of the budget requirement). Balances at 31 March 2010 were estimated at £24.1 million, after allowing for a contribution from balances of £5.3 million in 2009/10 and further planned contributions of £8.1 million in 2010/11 and 2011/12. The budget included provision for above-inflation increases of £7.9 million in social care budgets and took account of an expected reduction of £3.1 million in the cost of the waste management contract, as a result of lower waste volumes and savings from contract negotiation. Other budgets were increased in line with corporate inflation assumptions of 1.5% for pay and 2.25% for other cost increases. Cashable efficiency savings of £20.5 million were identified. These were mainly available to be redeployed within service

budgets as a way of meeting demand and legislative pressures that could not be met within the budget guidelines for services. The budget required a 1.9% increase in the Band D council tax to £1018.17, the lowest increase in the local tax for nearly 40 years.

In July 2009 the final accounts for 2008/09 were reported to the Cabinet. Service cash-limited expenditure was £0.8 million lower than budgeted. Further savings of £15.5 million in net operating expenditure were achieved, mainly as a result of lower interest costs, lower fire insurance reinstatement and higher trading unit surpluses. £11.2 million of these savings were transferred to earmarked reserves, resulting in an increase in the General Fund of £5.1 million compared with the revised budget. The General Fund Balance therefore increased to £34.5 million at 31 March 2009. Additional non-recurring expenditure of £2.6 million was approved on highway structural maintenance and improvements in September 2009. The balance of the underspending of £2.5 million was earmarked for use in 2011/12 to reduce the planned council tax increase. This resulted in a forecast General Fund Balance of £26.6 million at 31 March 2010.

When services revised their budgets in the autumn, services identified savings of £4.6 million to be carried forward within earmarked reserves into 2010/11. Children's Services, facing the impact of the recession and the reaction to the Baby Peter case on the number of children being taken into care, projected an overspend of £2.5 million. Allowing for the scope to achieve further savings in the rest of the year, provision was made centrally for an overspending of up to £1.25 million on Children's Services. Other savings totalled £4.2 million, mainly resulting from lower interest rates, and from lower new borrowing in 2008/09 than had been projected in the 2009/10 budget. These were factored into the 2010/11 budget strategy. As a result, the estimated General Fund Balance increased to £30.8 million at 31 March 2010.

In 2008/09 an impairment of all the Council's assets valued at current value had been required. The effect of this, together with the transfer of assets to foundation schools, had been a net cost of services £471 million higher than budgeted. However, its impact on the General Fund Balance, and thus on council tax, was neutral. Though no market value impairments were required in 2009/10, the level of depreciation and impairments again substantially exceeded the minimum provision for the repayment of debt. This was mainly why the net cost of services in the 2009/10 final accounts exceeded the revised budget by £100 million. However, service cash-limited expenditure was £0.3 million lower than budgeted. Further savings of £9.7 million in net operating expenditure were achieved, mainly as a result of lower interest costs, lower fire insurance reinstatement, higher trading unit surpluses, and savings on the waste management contract. These were partly offset by higher expenditure on highways winter maintenance and revenue contributions to capital. £3.9 million of the savings were transferred to earmarked reserves, resulting in an underspending of £6.1 million against the General Fund, compared with the revised budget. The General Fund Balance therefore increased to £36.9 million at 31 March 2010.

The table below analyses the main factors:

	Over/ (under) spend £million	Contribution to/(from) reserves £million	Net over/ (under) spending £million
Service cash-limited spending	-0.3	0.4	0.1
Corporate provision made for potential Children's Services overspending	-1.3	-	-1.3
Interest savings	-2.8	-	-2.8
Insurance provision	-3.6	3.3	-0.3
Waste management contract contingency	-4.1	-	-4.1
Higher revenue contributions to capital financed from reserves	2.6	-2.6	-
Higher trading unit net balances	-2.9	2.9	-
Highways winter maintenance	2.9	-	2.9
Provision for doubtful debts	-0.6	-	-0.6
Other variations	0.1	-0.1	-
	-10.0	3.9	-6.1

In view of the potential budget gaps in 2011/12 and 2012/13, resulting from expected Government measures to reduce the public sector deficit, it is proposed to transfer the saving against the 2009/10 revised budget into the Corporate Policy reserve in 2010/11.

7 Summary of the year – capital expenditure

In 2009/10 the Council spent £167.6 million on capital projects, £16 million less than the revised budget.

Spending on schemes financed from Government grants, supported borrowing, contributions from developers and outside agencies, and other scheme-specific funding was £15.5 million lower than forecast. Therefore expenditure on locally resourced projects was only £0.5 million lower than estimated.

Capital receipts were in line with the revised estimate. Yet as the level of unsupported borrowing was £2 million lower than forecast, the contribution required from the capital reserve was £8.6 million. This was £1.5 million higher than budgeted, fully utilising the balance of the reserve.

Spending financed from supported borrowing amounted to £32.0 million, supplemented by increased unsupported borrowing of £5.7 million. Temporary unsupported borrowing, in advance of capital receipts of £6.5 million, was repaid during the year using the relevant capital receipts. Debt repayment and finance lease repayments during the year amounted to £28.8 million. Potential outstanding borrowing for capital purposes to be serviced by the Council now amounts to £676 million, together with extra debt of £38.9 million for services transferred to the unitary and other authorities. The Council may borrow on a day-to-day basis from internal resources, such as the revenue account and earmarked reserve balances. Internal resources were slightly higher in 2009/10 than in the previous year, so that, net of temporary investments, the Council owed external lenders £342.8 million (a reduction of £4.2 million on the previous year) at 31 March 2010.

8 Pension Fund liability

The Council's net pension liability has increased from £727.6 million at 31 March 2009 to £963.3 million at 31 March 2010. The Council's assessed share of the assets of the fund increased by £320.3 million as a result of improved investment performance in 2009/10, but this was more than offset by an increase in the assessed present value of the Council's liabilities of £556 million. This arises mainly from the interaction of the financial assumptions made in accordance with the requirements of Financial Reporting Standard 17 – assumed higher future inflation resulted in higher future pay increases in local government but a lower corporate bond rate used as the basis for discounting future liabilities. Variations in actuarial assumptions are quite volatile, reducing liabilities by 17.2% in 2007/08 and by a further 1.1% in 2008/09, and then increasing them by 21.4% in 2009/10. The increased deficit on the Pension Reserve is the main factor underlying the reduction in the Council's net worth from £1.857 billion to £1.678 billion during 2009/10.

9 Changes

There are no significant changes to the Council's range of functions in 2009/10. However, there are four main changes to the presentation of the Statement of Accounts in 2009/10, mainly as a result of changes to the Local Authority Accounting Code of Practice.

In advance of the main implementation of International Financial Reporting Standards (IFRS) from 2010/11, the accounting treatment of Private Finance Initiatives (PFI) and other related contracts has been amended to comply with the relevant IFRS (IFRIC 12) from 2009/10.

This is to facilitate the production of Whole of Government Accounts on a consistent basis from 2009/10. Applying this standard requires the assets and liabilities associated with the infrastructure created by the joint waste management contract with Portsmouth and Southampton City Councils to be brought onto local authority Balance Sheets. Similarly the assets and liabilities associated with the street lighting PFI contract will be brought onto the Balance Sheet once the investment programme starts in 2010/11. This change will increase the value of the Council's fixed assets in the restated 31 March 2009 Balance Sheet by £89.6 million and current and deferred liabilities by £88.7 million.

The basis of accounting for the collection of council tax has also changed from 2009/10. This means the balance on the district council collection funds – reflecting the difference between budgeted assumptions and actual council tax collected, and the associated debtors and creditors – is shared between the billing authority and precepting authorities in proportion to their shares of council tax income. This treats council tax collection as an agency function, whereas in the past the billing authority has been regarded as the principal. The Council's share of the extra income in 2009/10 of £1.3 million is recorded in the Income and Expenditure Account and then reversed by a transfer to the Collection Fund Adjustment Account, so that the impact on the General Fund is neutral.

The 2009/10 Statement of Accounts also includes the additional disclosure requirements of the revised Accounts and Audit regulations relating to the remuneration of senior employees. The previous requirement to disclose the number of staff receiving remuneration above £50,000 a year in £10,000 bands has also been expanded by introducing £5,000 bands.

A review has also taken place of the disclosures in the Statement of Accounts that do not have to comply with UK Generally Accepted Accounting Practice (UK GAAP), in order to compensate for the increased disclosures required in recent years to comply with UK GAAP. As a result, the 2009 Code of Practice removes the requirement to include in the Statement of Accounts disclosures about use of S 137 powers, expenditure on publicity and income obtained under the Local Authority Goods and Services Act. The Council has reflected this change of practice in the 2009/10 Statement of Accounts.

10 Further information

You can get more information about the accounts from

The County Treasurer, Hampshire County Council, The Castle, Winchester, SO23 8UB,
telephone (01962) 847533,
e-mail budget@hants.gov.uk.

Statement of accounting policies

1 General principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom: A Statement of Recommended Practice (2009) (SORP) and the Accounts and Audit Regulations 2003 as amended in 2006 and 2009. Compliance with the principal accounting policies is explained in the following notes.

2 Accruals basis

Sums due to, or from, the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year – that is, on an accruals basis. From 1 April 2009, this includes accrued council tax income rather than the amount that under regulation was required to be paid from the Collection Fund. However, the accrual is reversed out through the Statement of Movement on the General Fund Balance so that the General Fund Balance is based on the regulation amount of council tax for the year.

However, there are some exceptions, as follows:

- Overtime is accounted for with the basic pay with which it is paid. The total amount involved at 31 March 2010 is estimated at £3.6 million (£3.1 million in 2008/09).
- Electricity and other utility companies' quarterly payments are accounted for at the date of meter reading rather than being shared between financial years.
- Pension Fund income includes dividends declared in the income tax year.

The above exceptions apply every year, so they do not have a material effect on the year's accounts.

3 Reserves and provisions

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts in the Statement of Movement on the General Fund Balance. Expenditure on items for which the reserves were originally created is shown as service expenditure in the Income and Expenditure Account matched by the reserve being transferred back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. Details of variations to earmarked reserves are shown in the notes to the accounts.

The main reserves are as follows:

- The General Fund Balance is the surplus of revenue income over expenditure. It can be used to supplement income in future years. In the Balance Sheet it is shown separately from reserves that are earmarked for specific purposes.
- The schools' reserve is the cumulative unspent portion of schools' locally administered budgets. These were set up under the Local Management of Schools arrangements required by the Education Reform Act 1988.
- The capital reserve is used to help pay for future years' capital expenditure.
- The Landfill Allowances Trading Scheme Reserve contains income from the sale of surplus allowances. The reserve is to be used to reduce cost pressures from the existing waste contract and for further investment in waste infrastructure. This Government scheme operates from 1 April 2005 to 31 March 2020. The scheme allocates tradable landfill allowances to each Waste Disposal Authority (WDA) up to their 'cap'. The WDA can use its allowances to meet its liability for actual landfill usage or sell allowances to another WDA.

- Public Service Agreement Reward Grant reserve contains the cash reward from the Government for meeting the targets set in the first Public Service Agreement.
- The Invest-to-save reserve is used to finance future capital and revenue investment in initiatives that are expected to generate a payback that can be recycled into the reserve.
- The Corporate Policy Fund uses corporate efficiency savings to support investment in frontline services.
- The Designated Underspending reserve enables services to carry forward underspending to aid their budgets in future years.
- The Insurance reserve is maintained in case the settlement of claims for past liabilities is higher than expected (including the continuing liability to meet claims in respect of former County Council services in Southampton and Portsmouth incurred before 31 March 1997) and to provide for the reinstatement of fire damage.
- The trading account reserve contains the unapplied surpluses of trading units, which are retained to finance future investment in the trading units, to cover possible future losses, or to provide direct benefits to customers.
- The Grant Equalisation reserve is being used to reduce the effect on council taxpayers of the shift in Revenue Support Grant away from the Council over a period that started in 2004/05.
- The Equal Pay reserve will help to meet the transitional costs of restructuring the Council's pay scales caused by the national single status agreement.
- The Local Authority Business Growth Incentive (LABGI) reserve is derived from grant received under the scheme and is used to contribute to programmes designed to promote economic prosperity, wellbeing and regeneration, and other capital investment projects.
- The Segensworth Units Reserve enables annual tenant contributions towards repairs to be earmarked for periodic major repair liabilities to infrastructure.
- The Minerals & Waste Development Framework (MWDF) reserve is made up of contributions from each of the partners (including Hampshire County Council, Portsmouth City Council, Southampton City Council and the New Forest National Park Authority). The contributions go towards the ongoing costs of operating the joint MWDF, and in particular it is earmarked to meet the cost of future public inquiries that do not fall evenly across financial years.
- The Community Transport Vehicle Replacement reserve is made up of annual contributions to meet the periodic cost of vehicle replacement.
- The Corporate Procurement reserve includes a contribution from the supplies business unit surplus to help pay the extra costs of the Corporate Procurement Efficiency programme.

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For example, the County Council has made provision in respect of legal claims that could eventually result in the payment of compensation or other settlement. Provisions are charged to the Income and Expenditure Account in the year the event occurs. When payments are eventually made, they are charged to the provision in the Balance Sheet.

4 Fixed assets

All expenditure on the acquisition, creation or enhancement of a fixed asset that yields benefits for more than one year can be treated as capital expenditure in the accounts. Spending on IT assets and intangible assets (such as software licences) typically yields benefits for a period of less than five years. Such expenditure is capitalised only if it yields benefits of five years or more, which is not in accordance with recommended practice. This does not have a material effect on the accounts.

From 2009/10, in accordance with the SORP, where the Council has control over assets used in the provision of services through PFI and similar service concession contracts, such assets are accounted for as fixed assets in the same way as owned assets.

Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

Fixed assets are classified into the groupings defined in the Code of Practice on Local Authority Accounting:

- Land, property and other assets used for service provision are called 'operational assets'. They are included in the Balance Sheet at the open market value for their present use when there is enough evidence to support the value, or at depreciated replacement cost otherwise.
- Assets not used to provide services are called 'non-operational assets' and include investment properties and assets that are surplus to requirements. They are included in the Balance Sheet at open market value. Assets under construction are also included in this category and are valued at historic cost.
- Infrastructure assets (e.g. roads) and community assets (e.g. country parks) are included in the Balance Sheet at historical cost net of depreciation. For this purpose, historical cost is taken to be the debt outstanding on the assets on 1 April 1994 plus expenditure since then. Vehicles and equipment and assets under construction are also valued at depreciated historic cost.
- Purchased intangible assets are valued at historic cost net of depreciation.

With effect from 1 April 2007, surpluses arising from the revaluation of fixed assets are credited to the Revaluation Reserve for each individual asset. In accordance with the code of practice, reductions in value can only be debited to the Revaluation Reserve to the value of previous revaluation gains. Otherwise they are charged to the Income and Expenditure Account.

Revaluations of fixed assets occur on a five-year rolling programme. Material changes to asset valuations will be adjusted in the interim as they happen. Capital expenditure that increases the value of assets is added to the capital values of the assets pending revaluation.

Income from the disposal of fixed assets is accounted for in the year in which it occurs and is used to finance capital payments in the year.

5 Basis of charges for use of fixed assets

Depreciation charges are made on all fixed assets except land, community, assets under construction and non-operational assets, in accordance with Financial Reporting Standard tangible fixed assets (FRS15). The depreciation is calculated on a straight-line basis over each asset's useful economic life as follows:

- Buildings – are mostly depreciated over 57 years provisionally assessed when FRS15 was introduced in 2000/01. But when buildings are revalued, their lives are reassessed to reflect the average useful economic life of the buildings as follows:
 - traditional building structure 60 years
 - industrial type structures 50 years
 - system build and timber frame 35 years
 - temporary buildings 30 years
 - waste disposal facilities 20 years
- Roads and bridges – reflect an assessment of the useful economic lives of different parts of road structures
- New and improved highways
 - major schemes 50 years
 - minor schemes 40 years
- Structural maintenance
 - principal roads 20 years
 - non-principal 50 years
- Area strategies and improvements for safety 25 years
- Pedestrian facilities, street lighting and cycling facilities 20 years
- Traffic calming 10 years
- Furniture and equipment 10 years
- Vehicles between five and 10 years

6 Revenue expenditure funded by capital under statute

Legislation allows some expenditure, such as grants to external organisations for capital purposes and spending on buildings not owned by the Council (e.g. foundation schools), to be funded from capital resources. Such expenditure is not carried on the Balance Sheet and is charged to the Income and Expenditure Account in the year it is incurred. However, so that it does not affect the year's council tax, an adjustment is made in the Statement of Movement on the General Fund Balance.

7 Redemption of debt

The Council's borrowing for capital purposes is controlled under the CIPFA Prudential Code for Capital Finance in Local Authorities. The total borrowing is expressed as the Capital Financing Requirement and is derived from the opening Balance Sheet.

With regard to The Local Authority (Capital Finance and Accounting)(England)(Amendment) Regulations 2008, the Council's policy for 2009/10 is to make a minimum revenue provision equal to 4% of the capital financing requirement at the start of the year on supported borrowing. For unsupported borrowing incurred after 1 April 2008, the Council makes minimum revenue provision on an equal-installment basis that reflects the life of the related asset, using a period that is no longer than is used to calculate the corresponding depreciation provision. For deferred liabilities relating to PFI and service concessions, the Council makes minimum revenue provision on the basis of the principal element of the annuity payment required to write down the liability over the life of the related asset.

8 Central support services

Costs of support services are allocated over all services as follows:

- Office accommodation – on the basis of area occupied.
- Central departments – on the basis of time spent on behalf of other departments, or in accordance with a basis of allocation set by a service level agreement.

9 Basis of valuation

Financial instruments

Financial instruments are shown in the Balance Sheet and relevant notes in accordance with Financial Reporting Standards (FRS) 25, 26 and 29. Investments in the Pension Fund Net Assets Statement are shown at market value at 31 March each year.

Landfill allowances

Surplus landfill allowances are valued at the lower of cost and net realisable value.

Stocks and stores

Stocks worth £3.4 million are included in the Balance Sheet. There are various bases of valuation for these stocks, according to their differing natures and purposes. For example, County Supplies stock of £1.4 million is valued at the latest buying price. The rest are mainly on an historical cost basis. Spending on consumable items is accounted for in the year of purchase.

10 Pension arrangements

The Council participates in two pension schemes that meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The costs of providing pensions for employees are charged to the accounts in accordance with Financial Reporting Standard 17 (FRS17) as amended in December 2006.

11 Specific revenue Government grants

Government grants for specific purposes are included in the accounts on the basis of the relevant percentage of eligible expenditure or the total grant awarded for the year, depending upon the grant conditions that apply. These grants are shown in a separate column in the Income and Expenditure Account.

12 Capital grants and contributions

The Code of Practice provides for capital grants and contributions to be credited, initially, to a Government grant's deferred account and a contributions deferred account. Amounts are released to revenue to offset the charges for depreciation on the related assets over the life of the assets.

13 Leasing

As an alternative to ownership, the Council sometimes uses operating leases for vehicles or equipment. The rentals on the leases are charged to the Income and Expenditure Account of the service that uses the assets.

14 Non-distributed costs

Some costs cannot be attributed to individual services and are described as non-distributed costs. They include past service costs relating to pensions which arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Non-distributed costs also include the costs associated with surplus assets held for disposal.

Annual Governance Statement for Hampshire County Council and Hampshire Pension Fund

1 Scope of responsibility

Hampshire County Council is responsible for ensuring that:

- its business is conducted in accordance with the law and to proper standards
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively
- pursuant to the Local Government Act 1999 it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy
- there is a sound system of internal control which facilitates the effective exercise of the County Council's functions and which include arrangements for the management of risk.

The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is available on the County Council's website.

These responsibilities also extend to the administration of the Hampshire Pension Fund, which is undertaken by the Pension Fund Panel. The Panel, which meets regularly, is comprised of County Councillors, representatives of Unitary and District Councils, pensioners and pension contributor's representatives. The Panel is also advised by an external independent adviser.

This Statement explains how the County Council has complied with the Code and meets with the requirements of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on Internal Control during 2009/10.

2 The purpose of Corporate Governance

The governance framework comprises the systems and processes, and cultures and values, by which the County Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievements of the County Council's strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the County Council's policies aims, and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hampshire County Council for the year ending 31 March 2010 and up to the date of approval of the annual report and the statement of accounts.

One of the key elements of the Corporate Governance regime and the production of the Annual Governance Statement is the methodology applied to obtain the necessary assurance.

This has included:

- a detailed questionnaire being sent every two years to all Chief Officers
- a detailed questionnaire being sent to other Officers who undertake key corporate roles within the County Council
- consultation with other relevant Officers throughout the County Council.

The questionnaires, which are revised and updated on each occasion, cover a wide range of Corporate Governance issues. They refer to the existence, knowledge and application within departments of governance policies generally, but also concentrate on specific issues which have been identified as having greater significance to the County Council.

In line with the revised Internal Audit Strategy adopted by the County Council in December 2007, the key elements of the Corporate Governance framework are risk assessed and reviewed by Internal Audit over a five year period.

The Internal Audit Team's work forms the basis of a report to the relevant Chief Officer or Key Corporate Manager for any follow up work necessary, and feeds into this Annual Governance Statement.

Departmental Corporate Governance Questionnaires and Corporate Governance Questionnaires were sent out to Chief Officers and Officers with key corporate roles in July 2008.

3 Establishing principal statutory obligations and organisational objectives

3.1 Mechanism established to identify principal statutory obligations

The County Council's Constitution, adopted from 1 September 2001, sets out the processes by which the County Council's policies are made and decisions taken. It sets out clearly the role of:

- the County Council
- the Leader
- Cabinet
- arrangements for the performance of regulatory functions
- arrangements for scrutiny
- the Standards Committee
- the role of the Audit Committee
(established to give added focus on governance and audit issues)
- key roles of the Chief Officers and Statutory Officers.

The Constitution also contains arrangements for the delegation of decision making to the above bodies and also to Chief Officers and others.

In addition, Appendices to the Constitution contain a range of Codes and Protocols including

- rules on Financial Regulations
- rules on Contract Standing Orders
- Codes of Conduct for Members and Officers
- Protocol for Member/Officer relations.

Financial limits within these documents were reviewed and updated by the County Council at its meeting on 28 May 2007.

In order to ensure compliance with policies, procedures and statutory requirements the County Council has a range of controls and processes in place, as set out and reviewed below.

These processes also help the County Council ensure the efficient, effective and economical use of resources, to secure continuous improvement in the exercise of its functions, and to provide effective performance management and reporting.

The Audit Committee receives regular reports from both external and internal audit, and the minutes of the Audit Committee and the Governance Committee (the predecessor of the Audit Committee) demonstrate that effective action is taken where issues of non-compliance have been identified.

All County Council decisions are made in accordance with the County Council's Decision Making Protocol (agreed in 2001). The Protocol requires all reports for decisions, whether by the Executive or by Committee to be submitted in advance for both legal and financial consideration.

All reports are considered by appropriately qualified legal and finance staff with expertise in the particular function area. Legal staff have direct access to a well equipped library on site, and through the internet to the Lawtel electronic legal information system. Processes and policies within Legal Services have also been quality assured through the award of Lexcel which is the Law Society's quality accreditation scheme, annually reviewed by external independent assessors, and also through Investors In People accreditation.

All legal staff have access to training courses, and regular internal sessions are organised for the whole of Legal Services on topics of specific and general relevance to their roles and responsibilities. Senior lawyers within the service have regular meetings with Chief Officers and senior clients to assess performance, review future demands, and identify new legislative demands.

A new Officer group comprising the Monitoring Officer and representatives from Business Advice and Member Support, Legal Services and the Policy unit has been established to specifically monitor new legislation. The Legislation Implementation and Review Group meets quarterly and provides an effective mechanism for tracking new legislation and ensuring that the County Council is taking appropriate steps to implement it.

The County Treasurer operates a system of Devolved Finance Units, each with a Head of Profession working closely with the relevant Chief Officer and reporting to a Member of the Treasurer's Management Team. The Head of Profession and relevant Treasurer's Management Team Member work together to ensure that both corporate and departmental financial perspectives are taken into account in all papers for decision, and attend meetings to advise further as appropriate.

3.2 Mechanism in place to identify principal organisational obligations

In 2009 the County Council has reconfirmed the priorities set out in the Corporate Strategy. 'Driving Success', including the Corporate Improvement Plan, has been developed to identify the main improvement priorities at the corporate level and to provide the framework for performance managing against these and other partnership priorities. Activities and targets against the Corporate Improvement Plan are drawn from more detailed corporate policies and plans and cascaded through Service Plans and Individual Performance Plans. The resources to deliver the Corporate Strategy are summarised in the Workforce Plan, the Asset Management Strategy, and the Revenue and Capital Budgets.

The Corporate Strategy links to the Hampshire Sustainable Community Strategy, which expresses the aims the County Council shares with strategic partners in Hampshire, the Local Area Agreement and the Local Public Service Agreement 2. It was prepared to reflect consultations with a wide range of stakeholders.

The Corporate Strategy also takes account of strategic partnership contributions, assessed through partnership agreements. Required contributions and income are built into the medium term Financial Plan and Budget Forecast. Separate accounts are maintained where the County Council is responsible for partnership accounting, for example, the Safety Camera Partnership.

The Corporate Strategy and the Corporate Improvement Plan set out the County Council's aims and corporate improvement priorities. They establish links to departmental and operation plans which set out how the County Council intends to achieve them. They also show how the County Council responds to changes and challenges, identifies common aims with partners, linking to the Local Area Agreement, and sets priorities and targets for improvement.

The Corporate Strategy is approved by Cabinet, full Council and the Corporate Management Team (CMT), and forms the major part of the County Council's policy framework alongside the Sustainable Community Strategy and other major plans including the Children and Young People's Plan. The Corporate Strategy sets priorities for the life of the administration, and Driving Success is reviewed annually. This is informed by the outcomes of consultation, performance results, benchmarking, review programmes and external inspections and factors such as local and national policies and initiatives. The Corporate Strategy and Corporate Improvement Plan are published on the County Council's website, and in hard copy for circulation internally and to key partners. Communication of the priorities is supported by other promotional activities including posters and a flash video, and provide a cornerstone for all internal and external communication activities.

The Corporate Improvement Plan has been used as the basis for developing departmental service plans and individual performance plans so that the 'golden thread' between the documents is strengthened and visible.

The County Council developed an integrated planning process which links workforce, budget and service planning into the County Council's Corporate Strategy and priorities. The Corporate Performance and Efficiency Group has responsibility for corporate performance management and receives quarterly updates on key performance targets and measures. CMT and Cabinet receive other corporate performance reports on a regular basis.

To help establish these Corporate Priorities the County Council has a corporate consultation plan agreed by CMT and Cabinet annually, which sets out proposals to consult with staff, residents and other stakeholders and partners. The research findings are published, in summary, on the County Council's website. The results help inform the development of the Corporate Strategy and are disseminated through CMT/Cabinet, Departmental Management Teams, senior manager's seminars (Success Through People), and other staff communication mechanisms to inform service planning.

Clear guidance is set for the preparation of Service Plans and this guidance is accessible on the Performance Management pages on Hantsnet. The guidance cross-references budget planning and workforce planning and is also available as an e-learning package. A 'Corporate Threads Portal' has been developed, which supports service managers in taking account of Corporate Priorities in the planning and delivery of their services.

The Corporate Strategy priorities are set out in the County Council's Corporate Strategy web pages.

A comprehensive Communications Strategy has also been developed and implemented to inform external and internal audiences of the County Council's Corporate Strategy objectives using a wide variety of traditional and innovative communication routes.

3.3 Effective Corporate Governance arrangements are embedded within the County Council

The County Council adopted a Code of Corporate Governance that complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) guidance at a meeting of the Governance Committee on 27 March 2008.

The Monitoring Officer and the Chief Internal Auditor (for the Section 151 Officer) have close working relationships both between themselves, and with the Standards Committee, and the Audit Committee.

A new Officer Corporate Governance Group was established in 2009. The group includes the Monitoring Officer, the Chief Internal Auditor and other officers involved in corporate governance. The role of the groups is to support the work of the Audit Committee and its terms of reference include:

- review of the County Council's Corporate Governance Framework
- participation in the preparation of the County Council's Annual Governance Statement
- review of the implementation of the Action Plan set out in the Annual Governance Statement
- identification of actions to be included in the following year's Action Plan.

The Standards Committee has responsibility for maintaining high standards of probity amongst Members through the provision of advice and training and by carrying out investigations of complaints received.

The County Council, at its meeting on 15 June 2009, established a new Audit Committee with more audit focused terms of reference. In accordance with CIPFA/SOLACE guidance the Chairman of the Audit Committee is not a member of the Executive. In addition no other members of the Audit Committee are members of the Executive.

Responsibility for overseeing Corporate Governance is formally delegated and documented through the Constitution to the Audit Committee. The terms of reference for the Audit Committee are contained within the Constitution.

Internal Audit is required to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and its prescribed professional standards. External assurance that these standards are met is provided through regular inspections by the Audit Commission and ISO quality accreditation assessors.

The Audit Committee approved the Internal Audit Strategy and Plan for 2009/2010 and continues to monitor performance and the progress of significant issues, including the implementation of audit recommendations. This plan was based on a revised future Audit Strategy for 2008 to 2013, as approved by the Governance Committee at its meeting in December 2007.

The Chief Internal Auditor has provided an Annual Statement of Assurance on the effectiveness of the control framework which is considered in conjunction with the Final Accounts.

The Annual Audit and Inspection Letter for 2009 (based on data from 2008/2009) commented positively on the County Council's internal audit. The District Auditor stated:

“Internal Audit meets all required standards and their work can be relied upon for the purpose of my audit.”

3.4. Performance management arrangements are in place

Performance management arrangements in the context of the setting of corporate aims and objectives and cascading these through the County Council through Service Plans and the Individual Performance Plan process are described above.

In addition, supported by the Council-wide Driving Success corporate Performance Management Framework, individual Departments have developed their own regimes for approving and monitoring objectives and targets set in Service Plans. Service Reviews are now instigated through the Service Planning process, while the Corporate Review Programme focuses on cross cutting and strategic issues, paying attention to efficiency and value for money.

All performance measures, both national and local, are known and responsibility allocated through the service planning process. Both external and internal audit reports include reviews of key performance indicators, systems and data quality with consequent reports to management.

Performance Management arrangements are enhanced by a thorough and fully embedded system of budget forecasting and monitoring which focuses on:

- annually updated three year budget projections and a three year capital programme
- detailed quarterly budget monitoring reports on revenue and capital to the relevant Executive Member
- ability of Select Committees to scrutinise monitoring reports
- overall budget monitoring report to Cabinet on a quarterly basis.

The corporate performance reporting process covers:

- national performance indicator results - these are incorporated in the Corporate Dashboard which is reported quarterly to the Corporate Performance and Efficiency Group (CPEG)
- results against Corporate Improvement Plan targets/priorities - these are also incorporated within the Corporate Dashboard which is reported quarterly to CPEG and follow-up action considered, supported by the 'Menu of supportive interventions'
- reports against departmental/service targets/priorities - reports go to Departmental Management Teams and Cabinet portfolio holders half yearly and should be monitored regularly by service managers and DMT level managers
- individual performance reports - every line manager considers performance results at least on an annual basis, though usually more frequently. The process is evaluated by Investors in People accreditation
- any significant performance issues looking back and risks looking forward are highlighted quarterly to CMT and half yearly to Cabinet via the Chief Officer Self-Assessment reports which bring together an assessment by each Departmental Director of the most important issues.

Poor performance is escalated to CPEG through performance reporting to the managerial/political level which can agree remedial action. Once remedial action is agreed, it is implemented through service plans.

Performance information is updated and published with year-on-year comparisons of achievement against performance targets on the website which is accessible internally and externally.

The performance frameworks are regularly reviewed and updated to take account of changes in organisational structure, new Government initiatives, new internal performance measures and other factors including external or internal review of the arrangements.

The County Council scored the highest 'Performs Excellently' in the Organisational Assessment score as part of the Comprehensive Area Assessment by the Audit Commission and other inspectorates which assesses the management of the County Council and the performance of the services the County Council delivers. The assessment also includes a specific judgement on the County Council's use of resources and whether it provides value for money, the County Council was rated as three out of four and was recognised as the highest scoring county council when the sub-theme scores are aggregated. For more information see the following link: <http://www3.hants.gov.uk/caa/>

4.1 Focusing on the purpose of the County Council and on outcomes for the community and creating and implementing a vision for the local area

The County Council has achieved this through the development, implementation and publication of the Corporate Strategy and the underpinning Corporate Improvement Plan, which is regularly reviewed, and its cascading through to service delivery via Departmental Service Plans and Individual Performance planning.

This objective is also achieved through the Sustainable Community Strategy which provides a common vision and set of ambitions for the County Council's partners, ensuring that their work is understood and agreed by all parties. This in turn has informed the development and delivery of the Local Area Agreement priorities and targets and supporting actions.

The County Council has also looked at governance issues, especially in relation to partnership working. As a result, during 2009 the Hampshire Senate has brought together all key partners in Hampshire with 5 aims:

- to deliver the Local Area Agreement
- to bring people together to keep government as local as possible
- to add value to, and reduce the costs of, public service through working with all the public services and partners
- to act as a strong local voice for Hampshire
- to secure extra government funding for our infrastructure needs.

Additionally, in November 2009, the County Council re-launched its Hampshire Action Teams (HATs) in order to enable local elected members to improve the quality of life in their areas, specifically through:

- advising on local improvement priorities for roads and transport
- supporting the delivery of improvement priorities in the Local Area Agreement by working with local partnerships such as Local Strategic Partnerships (LSPs) and Crime & Disorder Reduction Partnerships (CDRPs), and
- tackling economic, social and health inequalities in the area to close inequality gaps.

Annual reports are published via the County Council's Performance web pages which communicate the County Council's activities and achievements as well as its financial position and performance.

The County Council considers that the achievement of value for money in the delivery of its services is fundamental. The County Council's performance against this criteria can be demonstrated by the following factors:

- benchmarking of spend compared with service quality i.e. lower quartile council tax and 'excellent' rated performance
- all post-Gershon targets for efficiency gains exceeded
- integrated planning which links corporate priorities and areas for improvement to the budget setting decision process

- high levels of capital investment which shows that short term gains are not pursued at the expense of long term value for money
- a 'good' score of 3 in the Audit Commission's overall Use of Resources assessment and for the value for money component of that assessment in particular.

The County Council has an effective and comprehensive department and corporate complaints system which allows for any failures in service delivery to be properly dealt with, and to allow lessons to be learned.

4.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The County Council has a comprehensive Constitution, accessible on its website, which sets out the roles of the Council, Cabinet, Executive Members, Committees, the Chief Executive who is allocated the role of Head of Paid Service, Chief Officers and other senior Officers.

In 2009/10 the Director of Children's services was appointed Deputy Chief Executive and the role Assistant Chief Executive was created. These appointments provide additional senior management capacity for the County Council.

The Constitution also allocates the statutory roles of Section 151 Officer to the County Treasurer and that of the Monitoring Officer to the Head of Governance. Details and descriptions of both roles and their responsibilities are contained within the Constitution.

In 2010 the Chartered Institute of Public Finance and Accountancy issued a Statement on the Role of the Chief Financial Officer in Local Government, outlining the principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. A self-assessment confirms that the County Council's financial management arrangements conform with the governance requirements of the CIPFA Statement as outlined below:

- the County Treasurer is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives sustainably and in the public interest
- the County Treasurer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Medium Term Financial Strategy
- the County Treasurer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- the County Treasurer leads and directs a finance function that is adequately resourced to be fit for purpose
- the County Treasurer is professionally qualified and suitably experienced.

The relationship between Members and Officers is enforced by an established Member/ Officer protocol.

The County Council has appointed and maintains an Independent Remuneration Panel pursuant to the requirements of the Local Authorities (Members Allowances) (England) Regulations 2003 which meets in open session. The Panel makes recommendations to the Members Allowances Scheme Panel and, having considered those recommendations, makes recommendations to full Council.

For Officers, all issues relating to remuneration and terms and conditions are managed by the Council's Employment in Hampshire County Council Committee (EHCC) which is advised by the County Treasurer, Director of HR and Head of Remuneration and Benefits.

Performance management arrangements and mechanisms and the respective roles of officers and Members to monitor service delivery are described above.

The mechanisms for developing and communicating the County Council's vision etc are also described above.

In relation to partnership working, the County Council has published guidance on governance and roles and responsibilities for officers and members alongside other information and advice on partnership working. See: <http://intranet.hants.gov.uk/partnerships.htm>. This also includes a database of partnerships. This is currently under review.

A corporate group, which includes representatives from all departments, reviews this guidance. Additionally, linked to the County Council's risk management, regular audits of partnerships are carried out.

4.3 Promoting values for the County Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The County Council's Constitution is founded on it operating in an open and transparent way, and for the Leader of the County Council and the Chief Executive to set the tone for the organisation by creating a climate and culture of openness, support, and respect.

The County Council is committed to the highest ethical standards and has adopted a wide range of policies to re-enforce this philosophy as well as procedures to investigate them should the need arise.

These policies and procedures include:

- Members and Officers Codes of Conduct
- Member/Officer protocol
- Standards Committee
- Complaints Procedures
- Anti fraud and corruption policy
- Standing Orders governing the conduct of Council business
- Contract Standing Orders
- Financial Regulations
- Guidance on Partnerships
- Performance Management system
- Investors in People and a system of individual performance plan appraisal.

An effective Standards Committee is in place, which has taken on in accordance with the Standards Committee (England) Regulations 2008, responsibility from the Standards Board for England for the local initial assessment (and where appropriate investigation and determination) of complaints against Members of the County Council. In the year 2009/10 six complaints against County Councillors were received and none have required investigation either by the Standards Board or the Standards Committee. In one instance the matter was referred to the Monitoring Officer for "Other Action". The "Other Action" stipulated by the Committee was that the member should receive additional training.

Major corporate partnerships, including for example the Local Area Agreement Executive, have terms of reference and receive regular performance updates. The Local Area Agreement also has a risk register in relation to the delivery of its targets.

This major partnership is also included in the corporate risk register.

A protocol has been agreed with District Councils in relation to the extension of scrutiny powers to include the Local Area Agreement targets.

4.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The County Council's Constitution together with its Decision Making Protocol ensures that appropriate legal and financial advice is given and also that decisions made are open and transparent. The County Council determined several years ago that openness in the individual Executive Member's decision making would go beyond minimum Statutory requirements by ensuring that, subject to confidential items, all such decisions would be made in public.

Advice is available to Members from the Monitoring Officer and Deputy Monitoring Officer on any aspects of the Members Code of Conduct or conflicts of interest that may arise either before or at the point where a decision is to be made.

During 2009 a thorough review of the County Council's business practices relating to the publication of reports was undertaken by the Monitoring Officer. The outcomes of this review will be implemented in 2010/11.

Within their own areas of responsibility, Executive Members, Committee Chairmen and Vice Chairmen, Minority Group Spokespersons and Local Members are routinely briefed in relation to pending business. After County Council elections, all Members take part in a comprehensive New Member Induction Programme, both generic and specific, to support them in the exercise of their duties as County Councillors. Ongoing training is additionally available through the County Council's own established monthly Briefing Programme and via external seminars, conferences and briefings. A Member Development Working Group has recently been established to promote continuous development with the assistance of Hampshire Learning Centre and other organisations such as South East Employers and the Improvement and Development Agency.

Executive decisions are recorded in accordance with the requirements of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000. Internal protocols govern not only the format of reports but also legal and financial requirements by way of consultation internally, as indicated with the Head of Legal Services and the County Treasurer. Internal protocols also govern the preparation and publication of the County Council's Forward Plan, and the publication of all County Council, Cabinet, Executive Member and Committee Agenda, Reports and Minutes.

The maintenance of an effective scrutiny function is supported by a dedicated resource for scrutiny by designated officers located in the Business Advice and Member Support Unit (BAMS). Reviews are regularly shared with Executive Members and partner agencies as appropriate and resulting action monitored. Working arrangements with District Authorities are in place as are wider networks for health overview and scrutiny. A wider review of the scrutiny functions has been completed and the recommendations implemented. Progress will be re-evaluated as part of a wider assessment of the new BAMS Unit.

There is a well established Reporting Concerns at Work (whistle blowing) Policy in place which is published on the County Council's website. The role of Monitoring Officer, supported by other members of Legal Services, is also critical in ensuring that all decisions made are legally and soundly based. There is a comprehensive risk management framework in place with effective processes for reporting on risk. Through the Risk Management Board, chaired by the Deputy Chief Executive, risk management is embedded into the culture of the County Council so as to better influence decision making. Regular briefings on risk are made to the Executive Member with responsibility for risk management and regular reports on risk are made to the Audit Committee and the Policy and Resources Select Committees.

4.5 Developing the capacity and capabilities of Members and Officers to be effective

All new Officers and Members joining the County Council undergo a Corporate Induction Programme.

For Officers the Corporate Induction Programme is underpinned by a service-specific induction. The Individual Performance Planning (IPP) process ensures that Officers identify and update their knowledge and skills on a regular basis. In addition IPP facilitates the identification of training requirements. This is subsequently used to develop departmental training and development plans.

The skills required by Officers to undertake their roles are identified within the person specification for the particular job in question, and an assessment is made of the individual's competence against these during the selection process. Further skills assessment for Officers is undertaken during the annual IPP process and these are incorporated within service and departmental training plans.

The County Council's Management and Leadership Competencies form the basis of how managers and leaders within the County Council need to develop themselves and others to be even more effective. Implicit within the Competencies is a recognition that to be fully effective, individuals need to be able to positively challenge and scrutinise information presented to them. The "Vision and Direction" and "Stakeholders' and Partnerships" Competencies also identify the need to work with others, particularly when expertise is not available internally.

The County Council operates with a clearly defined structure and succession planning is undertaken via departmental workforce plans, which are produced on an annual basis. For officers there are succession planning arrangements within departments and a Talent Management strategy will be introduced in 2010/11 to strengthen the corporate approach.

The induction programme for members was overhauled for the 2009 elections and there are now ongoing member briefings to ensure continuous development. Member induction has been significantly strengthened and there are also now member briefings which address generic development needs. A member's champion group has also been developed looking at more focused development needs.

For Officers, skills are assessed via the person spec for the role and development needs are individually identified through the Council's IPP process and generically through a range of options e.g. management & leadership competencies. Corporately, officer development is managed through the learning & development forum.

The County Council's Performance Management Framework was reviewed in 2008 and a new, strengthened corporate Performance Management Framework was developed and implemented over 2008/09 called 'Driving Success'. The Corporate Improvement Plan element of the Corporate Strategy has introduced high profile accountability for improvement priorities, and as indicated Departments are using the plan as the basis for developing departmental service plans and individual performance plans for both 2009/2010 and 2010/11.

At a strategic level the relationship between the targets and activities in the Corporate Strategy, expressed in the old Corporate Business Plan, had been aligned with the Corporate Budget and Workforce Plan. Focus now turns to ensuring appropriate links are made to the new Corporate Improvement Plan.

Performance of the County Council as a whole will be monitored at the corporate level, through Driving Success, at least quarterly by the Corporate Management Team and at least every six months by Executive Members and Cabinet.

Performance information is published on the County Council's web pages for all to view at: http://www3.hants.gov.uk/corporatestrategy/overview_of_performance.htm

4.6 Engaging with local people and other stakeholders to ensure robust public accountability

The County Council undertakes a programme of consultation with residents, business and other key organisations on a wide range of issues. The findings are disseminated across the whole organisation to influence policy and the decision-making process.

For both consultation and communications the County Council draws on a number of strategies and documents:

- External Communications Strategy
- Annual Consultation Plan
- Best practice guidance
- Inter Faith Forum
- Community Involvement Strategy
- E-consultation database.

Public accountability is further enhanced by the system of publicly accessible scrutiny committees operating at the County Council and the local area based Hampshire Action Teams.

The publication of a wide range of documents such as the following help to ensure that the Council is held to account:

- Corporate Strategy
- Driving Success - Corporate Improvement Plan
- Financial Statements and Accounts
- Policy and Resources Select Committee reports
- Health Overview and Scrutiny reports
- Annual reporting to the wider public via special articles being published in the Council's newspaper "Hampshire Now".

The Annual Consultation Plan outlines a programme of consultation with residents, businesses and other key stakeholders on a range of issues and these findings are analysed and communicated across the whole County Council to influence the decision making process. An e-consultation database is maintained to further encourage feedback from residents and to share data.

Great emphasis is placed on raising awareness among the general public on the work of the County Council. The County Council's External Communications Strategy has been developed and implemented to include a range of tools including road shows, events, the Hampshire Now magazine with the Older Persons Special and localised versions for those areas where research reveals residents are less informed, alongside proactive media relations. The Internal Communications Strategy has been developed to embrace new initiatives to make staff aware of change programmes.

5 Identify principal risks to achievement of objectives

5.1 The County Council has robust systems and processes in place for the identification and management of strategic and operational risk

The County Council addresses the key risks to the people of Hampshire through its Corporate Improvement Plan and in partnership with other organisations, principally, through its Local Area Agreement. It has developed effective methods of communicating risk issues to the public and uses risk based approaches to support innovation and well managed risk taking, for example through a positive risk taking policy for social care.

There is a comprehensive risk management framework, that includes partnership risks, in place with effective processes for reporting on risk. A network of risk registers focusing on strategic and operational risk is in place, with regular reporting to senior management at both corporate and departmental levels. Risk financing arrangements are benchmarked against the performance of other local authorities, with regular reports to the Policy and Resources Select Committee for scrutiny. Training programmes are in place to increase the capacity and competence of staff to manage risk well. Balanced risk management arrangements are in place in key partnerships, which are subject to review and monitoring for effectiveness. Business continuity arrangements are in place for all critical services, and tested. Performance standards are used to improve the delivery and effectiveness of risk management.

Through the Risk Management Board, chaired by the Deputy Chief Executive, risk management is embedded through the culture of the County Council so as to better influence decision making. Regular briefings on risk are made to the Executive Member with responsibility for risk management and regular reports have been made to the relevant scrutiny committees.

The County Council has developed and uses a performance management framework that measures the maturity of its risk management arrangements. It provides assurance that:

- there is top down commitment to embedding and integrating risk management as routine business practice
- risk policies and strategies are communicated effectively and made to work through a framework of processes
- a core group of people have the skills & knowledge to manage risk effectively
- approaches for addressing risk with partners have been developed and implemented
- there is clear evidence that risk management is being effective and leading to the production of good results.

The County Council has developed comprehensive risk management arrangements for its Local Area Agreement, with risks shared amongst partner organisations and a clear reporting framework.

The County Council largely self-insures against risk, subject to the availability of catastrophic insurance. There is good evidence that the management of claims within Legal Services is in accordance with the Civil Procedure Rules and that appropriate reserves are placed on claims. Significant claims are regularly reviewed by the Monitoring Officer with the Head of Litigation and Procurement. The budget for dealing with these claims, and the contributions to be made to that budget by Departments reflects the sums identified within the reserve figures placed on all claims. There is evidence of monitoring the incidence of successful and unsuccessful claims and of feeding that information into the policy for risk financing accordingly. The system of self insurance is subject to internal audit, and review by external insurers.

6 Identify key controls to manage risk

6.1 The Authority has robust systems of internal control which includes systems and procedures to mitigate principal risks.

The financial management of the County Council is led by the County Treasurer, and is integrated with and influenced by the processes set out above. It includes processes for forward planning and expenditure, consultation on budget proposals, setting and monitoring income and budgets, and completion of final accounts. All are intended to be accurate, informative, timely and within statutory requirements. The approaches taken are summarised annually in the Financial Management Policy included in the County Council's Budget Book.

The Cabinet and County Council approve the annual Treasury Management and Investment Strategy together with outturn reports and external audit has confirmed compliance with the Prudential Code.

Financial Regulations and Contract Standing Orders are regularly reviewed with the most recent changes to Financial Regulations having been completed in 2008. During 2009/10 a review of Standing Orders on Contracts, including reviewing the CIPFA contract procedure rules was undertaken by staff in Legal Services, County Treasurers and the Corporate Procurement network. This review along with The Corporate Services Review on Procurement and recent EU legislation and case law identified a number of issues that need to be addressed in revised Contract Standing Orders. A draft of the revised Contract Standing Orders has been prepared for approval by the County Council by September 2010.

As indicated, there is a Reporting Concerns at Work (whistle-blowing) Policy and Anti-fraud and Corruption Policy embedded into the County Council and fully accessible on the County Council's website.

Registers of gifts and hospitality for both Members and Officers are maintained and the member's register is available for public inspection upon request. The Monitoring Officer will provide any advice required on whether specific gifts or offers of hospitality should be accepted or politely declined. Any acceptance of hospitality by a member of staff must be subject to discussion and the agreement of that person's Line Manager. The processes in place for maintaining these Registers are monitored and the introduction of an annual review to ensure processes are robust will be introduced from 1 April 2010.

A revised Members Code of Conduct was adopted by the County Council in 2007 and signed up to by all Members. Training sessions on the new Code were offered by the Monitoring Officer to all Members including co-opted Members.

A high level scheme of delegation is contained within the Constitution, and this is supplemented within each Department whereby the Chief Officer authorises other senior Officers to carry out allocated functions on their behalf.

The County Council produced its first formal Corporate Procurement Strategy (CPS) in 2003. This was updated in 2006 and was revised further in 2009 following completion of the Corporate Services Review (CSR) of Procurement. The CPS was approved by Members and this process included a formal report to Cabinet in November 2009. The Council's Corporate Procurement Network contributed to the preparation of the CPS and continues to monitor progress against action plans. The CPS and a wide range of relevant information on procurement is accessible to all employees of the County Council on its intranet, Hantsnet and to businesses and members of the public via Hantsweb. Awareness and training sessions to support the County Council's procurement agenda have now been delivered to more than one thousand staff and a further staff development programme is being developed as part of the Procurement Improvement Programme arising from the CSR.

The Director of Property, Business, Regulatory and IT Services is the Corporate Management Team sponsor for the procurement agenda and progress reports are made to the Buildings, Land and Procurement Panel, which is chaired by the Leader of the County Council. Implementation of the recommendations of the Corporate Services Review will be an ongoing task during 2010. The County Council participates in the CIPFA benchmarking service for corporate services - procurement - and completed an internal audit on corporate procurement during 2009. A response has been made to the report's recommendations. The County Council has a leading role in collaborative procurement within local government and plays an active role in the work of Improvement and Efficiency South East (IESE), the Hampshire and Isle of Wight Procurement Partnership, the Central Buying Consortium and Pro5.

The County Council has had written Contract Standing Orders in place for many years, which have been formally approved and have been communicated to staff. To complement these, a 'Best Practice Procurement Guide' was jointly produced, published and publicised on the Council's internal website in October 2008 by the Corporate Procurement team and Legal Services.

Significant progress has been made in embedding business continuity arrangements into the County Council. Potential critical service areas have been identified and prioritised across the County Council's services against guideline criteria described in the Civil Contingencies Act 2004. This work was completed in 2007. Business impact analysis within the critical services is reaching completion and appropriate department and service plans developed as appropriate. A suite of business continuity plans consisting of corporate and incident management plans, together with template department incident and service recovery plans have been prepared. A scheduled programme of testing is being prepared and a database to record and monitor progress created. Regular testing of recovery plans for IT services takes place.

The County Council has an established Complaints Policy and Procedure which is reviewed on a quarterly basis. The procedure is compliant with all relevant statutory requirements, and details of the operation of the complaints regime can be found on the County Council's website. The County Council's leaflets and posters which highlight complaints procedures are published and available.

All complaints files are kept in locked and secure cabinets with restricted access.

An annual report on the Complaints Policy and procedure is submitted to the Audit Committee and to the appropriate Scrutiny Committee.

The Corporate Health and Safety Policy was reviewed during 2009 and signed off by both the Leader and the Chief Executive in early 2010. The Policy Statement and the arrangements, which at a corporate level are set out as topic policies, are reviewed annually. There is a separate topic policy covering Partnership health and safety which links to the Partnership Portal that contains guidance on managing partnerships.

The Corporate Health and Safety Policy is available electronically on the intranet and is supported by departmental policies and guidance. The Corporate Health and Safety policy and supporting policies are covered in health and safety induction and other relevant training courses.

There have been no HSE interventions such as Prohibition or Improvement Notices or prosecutions since 2005.

The Risk and Safety Executive Group, the Risk Management Board and CMT receive reports on health and safety performance including incidents and positive indicators. The overall health and safety management performance is measured annually using a tool based on guidance from the HSE.

The actions to be taken to improve health and safety compliance can be found in the Corporate Health and Safety Action Plan agreed with and monitored by the Risk and Safety Executive Group and in departmental health and safety plans and audit programmes.

It is a management responsibility to develop and maintain the internal control framework, and to ensure that the County Council's resources are properly applied. Internal audit is an assurance function that primarily provides an independent and objective opinion to the County Council on the control environment by evaluating its effectiveness in achieving the County Council's objectives. Within the County Council, internal audit assists managers by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

The internal audit strategy and terms of reference for internal audit, approved by the Audit Committee, require the regular assessment and review of risks, controls and governance processes; and also the provision of an annual report and opinion from the Chief Internal Auditor. This is a key element of the assurance available to the Monitoring Officer in drafting the Annual Governance Statement.

Additional independent assessment of the internal control framework is provided by external audit reports, including the District Auditor's annual Management Letter, and the regular Use of Resources elements in the Comprehensive Area Assessment undertaken by the Audit Commission as part of the statutory performance assessment process.

The Audit Committee reviewed the County Council's Whistle Blowing and Counter Fraud and Corruption policies at its meeting in December 2009, and the updated and revised procedures are now in place, set out on the website, and will be integrated into the e-learning on corporate governance.

7 Obtain assurances on the effectiveness of key controls

7.1 Appropriate assurance statements are received from designated internal and external assurance providers

Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on regular returns. These are consolidated into the risk registers at corporate and departmental level and the Corporate Governance questionnaires retained by the Monitoring Officer as part of the assurance framework. Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on effectiveness to be provided to management, and any recommendations for improvement to be agreed. This assurance is given to each manager in respect of the controls they are responsible for in the form of an audit report and regular summaries are provided for Chief Officers and the Audit Committee to ensure each level of the County Council's management is kept informed of findings and opinions.

External sources of assurance include the regular provision of inspection and assessment reports by the Audit Commission (as the designated external auditor), and statutory inspections of adults social care services, and children's services. These reports are subject to consideration by senior management and Members of the County Council, and appropriate response to any recommendations for improvements are agreed. These reports and responses are normally approved in public and published.

8 Evaluate assurances and identify gaps in control/assurance

8.1 The County Council has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.

The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the County Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Monitoring Officer and the Chief Internal Auditor have evaluated the reports from the internal and external assurance providers which have also been reported to the Audit Committee. This Annual Governance Statement sets out the County Council's arrangements for receiving reports and identifying weaknesses in Internal control.

9 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance

The Chief Executive will review and revise partnership guidance and protocols as appropriate. This review will be undertaken by the Policy Unit and is scheduled for completion by September 2010.

The Monitoring Officer will procure the issue and implementation of new guidance on confidential reports and business practices by July 2010.

The Monitoring Officer will complete a full review of the County Council's Constitution by November 2010.

The Monitoring Officer will also review the Officer's Code of Conduct and the Protocol for Member Officer Relations by the end of the 2010/11 year. A review of the Officer's Code of Conduct has been under consideration for some time but it has been delayed due to the possibility of a national code being introduced. This is now looking increasingly unlikely and it has therefore been decided to proceed with a review at this stage.

A review of the County Council's suite of Governance documentation will be undertaken by the Monitoring Officer and the Chief Internal Auditor by the end of 2010 and clear "ownership" of the respective documents will be established.

A structured work plan will be agreed by the Monitoring Officer with the Standards Committee and the role of the Standards Committee will be given increased prominence within the County Council.

In July 2009 the County Council's Corporate Management Team agreed that a Talent Management Strategy should be developed and implemented in 2010/11. The implementation of the Talent Management Strategy is a corporate priority for the County Council's Human Resources Department.

The Corporate Governance e-learning package developed during 2009/10 will be launched by the Chief Internal Auditor by the end of June 2010.

The recommendations of the Corporate Services Review of procurement will be implemented by the Director of Property, Business, Regulatory and IT Services during 2010/11.

The Corporate Services Review on Procurement and recent EU legislation and case law identified a number of issues that needed to be addressed in revised Contract Standing Orders. A revised draft of the Contract Standing Orders has been prepared by the Head of Legal Services for submission to the Audit Committee in June 2010, Cabinet in July 2010 and to the County Council in September 2010.

10.1 There is a robust mechanism to ensure than an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.

The Action Plan is now kept under regular review by the Officer Corporate Governance Group. In response to the Action Plan identified in the 2009/10 Annual Governance Statement:

- The County Council's Corporate Management Team agreed in July 2009 to implement the County Council's new Management and Leadership Development Strategy and this is now in place.
- The County Council established a new Audit Committee at its meeting on 15 June 2005 with audit focused terms of reference to replace the Governance Committee. In accordance with CIPFA/SOLACE guidance the Chairman of the new Audit Committee is not a member of the Executive nor is any member of the committee a member of the Executive.
- A Corporate Governance e-learning package was developed in 2009/10 which include the identification of out dated or obsolete documents on the County Council's website. It was not possible to roll the package out in 2009/10 and so the roll out will remain in the Action Plan for 2010/11.
- Contract Standing Orders were reviewed by Legal Services in 2009/10 although they are yet to be adopted by the County Council. The adoption of the revised Contract Standing Orders is part of the County Council's Action Plan for 2010/11.
- An additional Independent Member has been appointed to the Standards Committee to improve its ability to handle complaints against members.

Declaration

We have been advised on the implications of the result of the review of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



Date: 20 July 2010
Chief Executive

Signed:



Date: 20 July 2010
Leader of the County Council

Statement of responsibilities for the Statement of Accounts

1 The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to make one of its officers responsible for the administration of those affairs. In this Council, that officer is the County Treasurer
- manage its affairs so as to use resources economically, efficiently and effectively and safeguard its assets
- approve the Statement of Accounts.

2 The County Treasurer's responsibilities

- 1 The County Treasurer is responsible for preparing the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.
- 2 In preparing this Statement of Accounts, the County Treasurer has:
 - selected suitable accounting policies and applied them consistently
 - made judgements and estimates that were reasonable and prudent
 - complied with the Code of Practice.
- 3 The County Treasurer has also:
 - kept proper accounting records which are up to date
 - taken reasonable steps to prevent fraud and other irregularities.

3 The County Treasurer's statement

I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.



Carolyn Williamson CPFA
County Treasurer
20 September 2010

Independent auditor's report to the Members of Hampshire County Council

Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of Hampshire County Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hampshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the County Treasurer and auditor

The County Treasurer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hampshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the County Treasurer and auditor

The County Treasurer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Hampshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

K. L. Handy
Officer of the Audit Commission
Collins House,
Bishopstoke Road,
Eastleigh,
Hampshire. SO50 6AD

30 September 2010

Income and Expenditure Account

This account summarises the resources that have been consumed and generated in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. The net cost of services is presented using the service expenditure analysis set out in the Best Value Accounting Code of Practice.

2008/09 Restated net Expenditure £'000	See note 1		Gross Expenditure £'000	Income Specific Grants £'000	Other Income £'000	Total £'000	2009/10 Net Expenditure £'000
4,804		Central services to the public	7,664	-60	-2,333	-2,393	5,271
116,330		Cultural, environmental and planning services	136,842	-25	-28,229	-28,254	108,588
608,086	2	Children's services and education	1,217,223	-818,606	-113,735	-932,341	284,882
79,280		Highways, roads and transport services	85,897	-140	-8,209	-8,349	77,548
307,174		Adult social care	413,760	-36,833	-86,636	-123,469	290,291
431		Court services	1,554	-	-1,039	-1,039	515
15,250		Corporate and democratic core	18,077	-	-	-	18,077
-1,919		Reward grant	-	-2,250	-	-2,250	-2,250
6,040	3	Non-distributed costs	9,828	-	-5,897	-5,897	3,931
-3,274	4	Reduction in provisions	-4,182	-	-	-	-4,182
1,132,202		Net cost of services	1,886,663	-857,914	-246,078	-1,103,992	782,671
-3,432	5	Surplus on trading undertakings					-1,989
15,309	6	Interest	25,443		-5,116		20,327
31,940	7d	Pensions interest cost and expected return on pension assets					57,690
3,165	8	Gain/loss on disposal of assets					471
1,179,184		Net operating expenditure					859,170
		Amount to be met from Government grant and local taxpayers					
-64,742		Area Based Grant					-45,433
-17,432		General Government grant					-27,154
-125,220		National business rates					-117,643
-500,029	9	Council tax income					-513,503
471,761		Deficit for the year on the Income and Expenditure Account					155,437

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last financial year. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned
- council tax income is the budgeted amount not the accrued amount for the year.

The General Fund Balance compares the Council's spending against the council tax it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 Restated £'000		2009/10 £'000
471,761	Deficit on the Income and Expenditure Account for the year	155,437
-482,973	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year (this is shown in detail below)	-157,855
-11,212	Increase(-)/decrease in General Fund Balance for the year	-2,418
-23,300	Balance brought forward 1 April	-34,512
-34,512	Balance carried forward at 31 March	-36,930
-34,512	Amount of General Fund Balance generally available for new expenditure	-36,930

Reconciling items for the Statement of Movement on the General Fund Balance

2008/09 Restated £'000	See note 1		2009/10 £'000
		Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year	
-478,692	13a	Depreciation and impairment of fixed assets	-188,144
-12,893	14	Revenue expenditure funded by capital under statute	-14,776
-90,743	13a	Loss on assets transferred to foundation schools	-21,579
7,976	10a	Deferred contributions released	7,055
26,008	10b	Deferred Government grants released	25,810
-3,163	8	Net gain or loss (-) on sale of fixed assets (excluding costs of sale)	-461
-	9	Collection Fund adjustment	1,291
	11	Net cost of soft loans	10
-78,483	7d	Net charges made for retirement benefits in accordance with FRS17	-106,235
-629,979			-297,029
		Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the General Fund surplus or deficit for the year	
47,938	12	Statutory provision for the repayment of debt	28,845
32,123	14	Capital expenditure financed from the General Fund	48,193
-1,930	15	Contribution from other authorities	-1,866
63,413	7d	Employer's contribution payable to the Pension Fund	69,585
141,544			144,757
		Transfers to or from the General Fund Balance that are required by statute to be taken into account when determining the General Fund surplus or deficit for the year	
5,462	21c	Transfers to earmarked reserves	-5,583
-482,973			-157,855

Statement of Total Recognised Gains and Losses (STRGL)

This statement brings together all the Council's gains and losses for the year and shows the aggregate increase in its net worth. In addition to the deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 Restated £'000		2009/10 £'000
-471,761	Deficit for year on the Income and Expenditure Account	-155,437
184,620	Net gains on revaluation of fixed assets	169,439
-3,848	Adjustment to prior year revaluations and capital receipts	3,064
-272,190	Actuarial loss on Pension Fund assets and liabilities	-199,110
162	External contribution towards debt outstanding on transferred services	161
-	Opening adjustment for council tax accrual	3,238
-563,017		-178,645

The published Total Recognised Gains and Losses in 2008/09 was £574,100. This has been restated to £563,017 as shown above and detailed in note 1 to the accounts. This reflects the change in accounting policy for service concessions requiring the recognition of assets and liabilities in the Council's accounts relating to the contract for waste management.

Balance Sheet

31 March 2009 Restated £'000	See note		31 March 2010 £'000
	1		£'000
	13	Tangible fixed assets	
		Operational assets	
2,911,642		Land and buildings	3,004,232
56,986		Vehicles, plant and equipment	56,905
446,106		Infrastructure assets	468,180
11,913		Community assets	13,379
		Non-operational assets	
41,914		Assets under construction	32,936
64,893		Surplus assets, held for disposal	63,726
3,533,454		Total fixed assets	3,639,358
40,788	16a	Long-term debtors	39,289
3,574,242		Total long-term assets	3,678,647
		Current assets	
3,245	17	Stocks and work in progress	3,369
61,772	16b	Debtors	78,918
8,573		Payments in advance	10,244
195,209	16c	Short-term investments	184,584
5,591	18	Cash in hand	5,629
274,390			282,744
		Current liabilities	
-1,811	16h	Deposits	-3,319
-146,252	16i	Creditors	-150,871
-62,627	16j	Receipts in advance	-83,109
-99,841	16e	Borrowing repayable within one year	-89,888
-3,197	20	Finance lease repayable within one year	-3,454
-17,124	19	Cash overdrawn	-15,400
-330,852			-346,041
-56,462		Net current liabilities	-63,297
3,517,780		Total assets less current liabilities	3,615,350
-336,996	16d	Long-term borrowing	-336,556
-85,525	20	Deferred liabilities	-82,071
-165,950	10a	Deferred contributions	-167,661
-307,168	10b	Deferred Government grants	-349,342
-32,706	16g	Developers' contributions	-33,197
-5,215	4	Provisions	-5,188
-933,560			-974,015
-727,570	7e	Net liability related to defined benefit pension schemes	-963,330
1,856,650		Total net assets	1,678,005
		Financed by:	
-1,952,848	21b	Capital Adjustment Account	-1,882,356
98	21	Financial Instruments Adjustment Account	88
-	9	Collection Fund Adjustment Account	-4,529
-434,573	21a	Revaluation reserve	-563,096
-2,290		Capital receipts unapplied	-
727,570	21	Pensions reserve	963,330
-160,095	21c	Earmarked reserves	-154,512
-34,512		General Fund	-36,930
-1,856,650		Total net worth	-1,678,005

Cash Flow Statement

	2008/09 Restated £'000	2009/10 £'000
Revenue activities		
Cash outflows		
Cash paid to and on behalf of employees	981,955	1,030,594
Other operating costs	647,646	669,369
	1,629,601	1,699,963
Cash inflows		
Rents	-4,658	-4,757
Council tax income	-500,029	-512,212
National business rates	-125,220	-117,643
General Government grant	-17,432	-27,154
Charges for goods and services	-84,885	-87,796
Specific and Area Based Government grants	-864,346	-903,417
Other income	-135,226	-130,805
	-1,731,796	-1,783,784
Net cash inflow from revenue activities (see note 22)	-102,195	-83,821
Returns on investments and servicing of finance		
Cash outflows – Interest paid		
	28,509	26,591
Cash inflows – Interest received		
	-14,531	-9,210
Net cash outflow from servicing of finance activities	13,978	17,381
Capital activities		
Cash outflows		
Fixed assets	161,078	154,046
	161,078	154,046
Cash inflows		
Sale of fixed assets	-2,355	-12,155
Capital grants (see note 23)	-67,670	-67,984
Other income	-13,155	-15,726
	-83,180	-95,865
Net cash outflow from capital activities	77,898	58,181
Net cash inflow (-)/outflow before financing (see notes 24 and 25)	-10,319	-8,259
Financing		
Borrowing repayable over periods of one year or more:		
Repayments	28,295	12,454
New loans	-16,277	-8,560
Borrowing repayable within one year:		
Repayments	546,830	556,424
New loans	-580,721	-543,196
Net cash inflow (-)/outflow	-32,192	8,863

Notes to the core financial statements

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Notes to the core financial statements

I Prior period adjustments

Adjustments to the information in the 2008/09 statements have been made to reflect the change in accounting policy for service concessions. The Council's existing waste management contract meets the definition of a service concession in accordance with the 2009 SORP. The waste disposal assets constructed under the contract are now included in the Council's Balance Sheet, together with a deferred liability to pay for the assets over the life of the contract. Consequently the annual contract fee, hitherto charged to the Income and Expenditure Account, needs to be separated into a service charge, a principal repayment and an interest charge.

A further adjustment is needed with a lump sum payment made in 2008/09 for part of the asset costs. This was charged to the Income and Expenditure Account as 'revenue expenditure funded by capital under statute' (REFCUS) as the assets were not included in the Council's Balance Sheet last year. This needs to be reversed and instead treated as a repayment of principal.

42 The relevant extracts of the financial statements and the required adjustments are shown below.

Income and Expenditure Account (extract)

	Published 2008/09 £'000	Adjustment £'000	Restated 2008/09 £'000
Culture, environmental and planning services	134,075	-	-
Reverse REFCUS	-	-19,330	-
Redirect service charge to repayment of principal	-	-4,965	-
Redirect service charge to payment of interest	-	-7,956	-
Impairment charge for reduction in asset value	-	8,868	-
Depreciation	-	5,638	-
	134,075	-17,745	116,330
Net cost of services	1,149,947	-17,745	1,132,202
Interest <input type="checkbox"/>	7,353	7,956	15,309
Net operating expenditure	1,188,973	-9,789	1,179,184
Deficit for the year on the Income and Expenditure Account	481,550	-9,789	471,761

Statement of Movement on the General Fund Balance (extract)

	Published 2008/09 £'000	Adjustment £'000	Restated 2008/09 £'000
Deficit for the year on the Income and Expenditure Account	481,550	-9,789	471,761
Net additional amount required by statute and proper practices to be credited to the General Fund Balance for the year	-492,762	9,789 *	-482,973
Increase(-)/decrease in the General Fund Balance for the year	-11,212	-	-11,212
Balance brought forward 1 April	-23,300	-	-23,300
Balance carried forward at 31 March	-34,512	-	-34,512
Depreciation and impairment of fixed assets	-464,186	-14,506	-478,692
REFCUS	-32,223	19,330	-12,893
Statutory provision for the repayment of debt	23,643	24,295	47,938
Capital expenditure financed from the General Fund <input type="checkbox"/>	51,453	-19,330	32,123
		9,789 *	

Statement of Total Recognised Gains and Losses (STRGL) (extract)

	Published 2008/09 £'000	Adjustment £'000	Restated 2008/09 £'000
Deficit for the year on the Income and Expenditure Account	-481,550	9,789	-471,761
Net gains on revaluation of assets	183,326	1,294	184,620
Overall reduction in net worth	-574,100	11,083	-563,017

Balance Sheet (extract)

	Published 2008/09 £'000	Adjustment £'000	Restated 2008/09 £'000
Land and buildings	2,822,053	89,589	2,911,642
Long-term assets	3,484,653	89,589	3,574,242
Finance lease repayable within one year	-	-3,197	-3,197
Current liabilities	-327,655	-3,197	-330,852
Deferred liability	-	-85,525	-85,525
Total net assets	1,855,783	867	1,856,650
Capital Adjustment Account	-1,953,203	-	-
Creation of liability opening balance	-	10,216	-
Depreciation and impairment of fixed assets	-	14,506	-
Reverse REFCUS	-	-19,330	-
Statutory provision for the repayment of debt	-	-24,295	-
Capital expenditure financed from the General Fund	-	19,330	-
Excess of current value depreciation over historic cost depreciation	-	-72	-
	-1,953,203	355	-1,952,848
Revaluation Reserve	-433,351	-	-
Asset revaluation	-	-1,294	-
Excess of current value depreciation over historic cost depreciation	-	72	-
	-433,351	-1,222	-434,573
Total net worth	-1,855,783	-867	-1,856,650

Cash Flow Statement (extract)

	Published 2008/09 £'000	Adjustment £'000	Restated 2008/09 £'000
Revenue activities			
Cash outflows			
Other operating costs	679,897	-	-
Reverse REFCUS	-	-19,330	-
Redirect service charge to repayment of principal	-	-4,965	-
Redirect service charge to payment of interest	-	-7,956	-
	679,897	-32,251	647,646
Returns on investments and servicing of finance			
Cash outflows - Interest paid	20,553	7,956	28,509
Net cash inflow (-) / outflow before financing	13,976	-24,295	-10,319
Financing			
Borrowing repayable over periods of one year or more:			
Repayments	4,000	-	-
Redirect REFCUS to repayment of principal	-	19,330	-
Redirect service charge to repayment of principal	-	4,965	-
	4,000	24,295	28,295
Net cash inflow (-)/outflow	-32,192	-	-32,192

2 Disclosure of deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grants from the Department for Children, Schools and Families (DCSF) (now the Department for Education or 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 2009/10 are as follows:

	Central expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2009/10 as issued by the DCSF on 25 June 2009	-	-	-692,510
Brought forward from 2008/09 as agreed with DCSF	-	-	-9,345
Carry forward to 2010/11 agreed in advance with the Schools Forum	-	-	6,750
Agreed budgeted distribution in 2009/10	-109,061	-586,044	-695,105
Actual central expenditure	96,551	-	96,551
Actual ISB deployed to schools	-	586,044	586,044
Local authority contribution for 2009/10	-128	-	-128
Carry forward to 2010/11	-12,638	-	-12,638

3 Non-distributed costs

Some costs cannot be attributed to individual services and are described as non-distributed costs. They include past service costs relating to pensions that arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. Further details of pension costs are included in note 7. Non-distributed costs also include the costs associated with surplus assets held for disposal.

4 Change in provisions

	31 March 2008 £'000	Change in 2008/09 Central Provision £'000	Service Provision £'000	31 March 2009 £'000
Insurance claims	-4,237	3,120	-3,808	-4,925
Contract terminations	-262	-	-	-262
Other	-26	-	-2	-28
	-4,525			-5,215
Provision for doubtful debts (included with debtors in the Balance Sheet)	-2,288	154	-3,361	-5,495
		3,274	-7,171	
	31 March 2009 £'000	Change in 2009/10 Central Provision £'000	Service Provision £'000	31 March 2010 £'000
Insurance claims	-4,925	3,575	-3,492	-4,842
Contract terminations	-262	-	-55	-317
Other	-28	-	-1	-29
Provisions identified in the 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	

The insurance provision represents an assessment of the likely cost of liability claims known to the Council at 31 March 2010. 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.

5 Internal trading accounts

The trading units had an overall surplus of £1,989,000 (2008/09 overall surplus of £3,432,000) as follows:

		2008/09 £'000	2009/10 £'000
Former Direct Services Organisation			
- provides catering and cleaning services to schools and some non-educational sites in Hampshire and supplies vehicles to departments of the County Council.	Income	-25,930	-27,369
	Expenditure	25,553	26,957
	Surplus(-)	-377	-412
Education Business Units			
- provide support services principally to schools but also to other departments and other local authorities.	Income	-40,805	-42,090
	Expenditure	39,093	42,223
	Surplus(-)/deficit	-1,712	133
Information Technology Services			
- provided to County Council departments and some other local authorities.	Income	-36,920	-37,602
	Expenditure	35,823	36,949
	Surplus(-)	-1,097	-653
County Supplies			
- operates the central purchasing warehouse and arranges direct delivery and other contracts for County Council departments, other local authorities and voluntary organisations.	Income	-10,389	-11,396
	Expenditure	10,184	10,643
	Surplus(-)	-205	-753
Hampshire Printing Services			
- provides printing and reprographic services to County Council departments.	Income	-2,765	-2,782
	Expenditure	2,692	2,692
	Surplus(-)	-73	-90
Six other smaller trading units			
- including a surplus of £164,000 (£94,000 deficit in 2008/09) on the management of the River Hamble.	Income	-1,580	-1,636
	Expenditure	1,612	1,422
	Deficit/surplus(-)	32	-214
	Total surplus(-)	-3,432	-1,989

6 Interest

The Income and Expenditure Account includes interest receivable and payable as follows:

	Original 2008/09 £'000	Restated 2008/09 £'000	2009/10 £'000
Interest receivable:			
Loans and receivables: financial instruments	-11,041	-11,041	-3,826
Statutory debtors relating to transferred services	-1,998	-1,998	-1,290
	-13,039	-13,039	-5,116
Interest payable:			
Financial liabilities at amortised cost	20,392	28,348*	25,443
Net interest payable	7,353	15,309	20,327

* Increase relates to revised accounting treatment for the waste management contract. See note 1 for further details.

7 Pensions

As part of the terms and conditions of employment of its staff, the County Council provides retirement benefits. These will be paid only when employees retire but (in accordance with FRS17) the Council must account for the commitments at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

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

7a Teachers' Pension Scheme

This is a defined benefit scheme administered during 2009/10 by the DCSF. The scheme is unfunded so the pensions of past employees are paid from current revenues. Scheme liabilities cannot be attributed to individual local authorities on a consistent reasonable basis. So in accordance with FRS17 pension costs are recorded as if the scheme was a defined contribution scheme. The DCSF has established a notional fund as the basis of calculating the employers' contribution. Contributions were 14.1% of pensionable pay for 2009/10 (same as for 2008/09).

In 2009/10 total employer's contributions were £49.89 million (£48.27 million in 2008/09).

7b Local Government Pension Scheme (LGPS)

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 2009/10, Pension Fund assets and liabilities have been included in the Balance Sheet based on a formal actuarial valuation for 31 March 2007. This valuation has been updated using the assumptions shown below. The same assumptions were used to value the unfunded LGPS and teachers' benefits at 31 March 2010.

Principal financial assumptions

	2008/09 % per year	2009/10 % per year
Rate of discount for scheme liabilities	6.7	5.5
Rate of increase in salaries	4.9	5.15
Rate of increase in pensions in payment – funded pensions	3.4	3.65
Rate of increase in pensions in payment – unfunded pensions	3.4	3.55
Rate of increase in deferred pensions	3.4	3.65
Proportion of employees opting to take a commuted lump sum:		
for pre 1 April 2008 service	25.0	25.0
for post 1 April 2008 service	75.0	75.0
Rate of inflation – funded pensions	3.4	3.65
Rate of inflation – unfunded pensions	3.4	3.55

Principal demographic assumptions	2008/09	2009/10
Post-retirement mortality		
Men		
Using actuarial base table in 2007 (PNMA00 with allowance for MC improvement factors to 2007)		
Scaling to above base table rates	110%	110%
Cohort improvement factors from 2007	80% of LC	80% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	22.2	22.3
Future lifetime from age 65 (currently aged 45)	24.5	24.7

Women

Using actuarial base table in 2007 (PNMA00 with allowance for MC improvement factors to 2007)		
Scaling to above base table rates	110%	110%
Cohort improvement factors from 2007	60% of LC	60% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	24.2	24.3
Future lifetime from age 65 (currently aged 45)	26.4	26.5

Expected return on assets

The County 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 totalling the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

	2008/09 % per year	2009/10 % per year
Rate of return on equities (shares)	7	8
Rate of return on Government bonds	4	4.5
Rate of return on property	6	8.5
Rate of return on corporate bonds	5.8	5.5
Rate of return on cash	1.6	0.7
Average long-term expected rate of return	5.7	6.7

7c Charges to the Income and Expenditure Account**Current service cost**

The current service cost is an estimate, at today's prices, of the true economic cost of employing people in a financial year who are earning years of service that will eventually entitle them to a pension when they retire. This is included in the net cost of services in the Income and Expenditure Account. However, the charge met by taxpayers is based on employer's contributions payable in the year. The necessary adjustment to the Income and Expenditure Account balance is made in the General Fund reconciliation on page 37.

The Pension Fund's actuary, Hewitt Associates Limited, has said the current service cost of pensions in 2009/10 is £48.80 million (£45.72 million in 2008/09). In 2009/10 the Council paid an employer's contribution of £64.24 million into the Hampshire County Pension Fund (£57.93 million in 2008/09). This was 18.6% of pensionable pay (18.1% in 2008/09).

The contribution rate is set by the Pension Fund's actuary, based on valuations every three years. The actuarial valuation of the Fund as at 31 March 2007 resulted in the actuary recommending a phased increase in the employer's rate. The rate was increased to 18.1% of pensionable pay in 2008/09, rising to 18.6% in 2009/10, and 19.1% in 2010/11. Contributions in 2010/11 are estimated to be £66 million.

Past service cost of pensions

Past service costs arise from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. This includes enhanced early retirements (formerly added years) for all staff, including teachers, as the Council is responsible for all pension payments relating to augmented service it has awarded and for meeting the extra cost of early retirement.

The actuary has said that the past service cost in 2009/10 is:

	2008/09 £'000	2009/10 £'000
Early retirements:		
LGPS funded	820	1,000
LGPS unfunded	10	0
Teachers unfunded	590	0
	1,420	1,000

Past service costs are included in non-distributed costs in the Income and Expenditure Account in accordance with the Best Value Accounting Code of Practice (BVACOP). A credit of £0.3 million (£0.8 million charge in 2008/09) has been made after adjusting for the difference between actuarial assumptions and actual cash flow in 2009/10.

The actuary assesses the past service cost for early retirements in previous years at £40.43 million for teachers' pensions (£37.31 million in 2008/09) and £29.09 million for unfunded benefits to former employees in the LGPS (£27.02 million in 2008/09). This is added to the pension liability in the Balance Sheet. However, as for current service costs, the charge for council tax-setting purposes is based on the cash paid in the year.

Contributions paid to cover the cost of early retirements were:

	LGPS £'000	Teachers £'000	2008/09 Total £'000
Early retirements in 2008/09	843	214	1,057
Early retirements in previous years for which payments are still being made	2,059	2,363	4,422
Total payments in 2008/09	2,902	2,577	5,479
	LGPS £'000	Teachers £'000	2009/10 Total £'000
Early retirements in 2009/10	511	168	679
Early retirements in previous years for which payments are still being made	2,131	2,534	4,665
Total payments in 2009/10	2,642	2,702	5,344

7d Adjustments to the Income and Expenditure Account

In accordance with FRS 17, adjustments to the Income and Expenditure Account are set out below:

	2008/09 £'000	2009/10 £'000
Included in the Income and Expenditure Account:		
Current service cost of funded LGPS pensions	45,720	48,800
Charge to non-distributed costs for early retirement in the year:	823	-255
Interest cost on pension liabilities (note i)		
LGPS funded liabilities	97,750	102,610
LGPS unfunded liabilities	1,750	1,740
Teachers unfunded liabilities	2,400	2,410
	101,900	106,760
Expected return on Pension Fund assets (note ii)	-69,960	-49,070
	78,483	106,235
Excluded from the Income and Expenditure Account:		
Employer's contribution to the Local Government Pension Scheme	-57,934	-64,241
Added years and early retirement cash flows in the year	-5,479	-5,344
	-63,413	-69,585

note i Interest cost is the amount needed to unwind the discount applied in calculating the current service cost. As members of the scheme are one year older and one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

note ii The expected return is a measure of the return (income from dividends, interest etc.) expected in the long term on the investment assets held by the scheme for the year.

7e Assets and liabilities relating to retirement benefits

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 teachers and LGPS members. The actuary estimated that the following overall assets and liabilities for pension costs should be included in the Balance Sheet.

	31 March 2006 £'000	31 March 2007 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2010 £'000
Present value of liabilities in the scheme:					
LGPS funded	-1,500,790	-1,601,250	-1,431,240	-1,523,940	-2,074,760
Unfunded liabilities:					
LGPS	-28,610	-29,050	-26,770	-27,020	-29,090
Teachers	-38,620	-39,540	-36,280	-37,310	-40,430
	-1,568,020	-1,669,840	-1,494,290	-1,588,270	-2,144,280
Fair value of assets in the scheme	979,200	1,059,280	1,053,980	860,700	1,180,950
Deficit	-588,820	-610,560	-440,310	-727,570	-963,330

The net deficit on the Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

In accordance with paragraph 77(o) of FRS 17 (as revised), the assets for the current period and previous three periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for the period ending 2006 are shown at mid-market value and have not been re-measured, as permitted by FRS 17 (as revised). The proportion of assets by category is shown below:

	31 March 2009 %	31 March 2010 %
Equities	55.2	61.3
Government bonds	27.4	24.4
Property	7.3	6.1
Corporate bonds	3.9	2.4
Cash	6.2	5.8
	100.0	100.0

7f Changes to the present value of liabilities during the accounting period

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Period ended 31 March 2009	LGPS funded £'000	LGPS unfunded £'000	Teachers unfunded £'000	Total £'000
Opening present value of liabilities	-1,431,240	-26,770	-36,280	-1,494,290
Current service cost	-45,720	-	-	-45,720
Interest cost	-97,750	-1,750	-2,400	-101,900
Contributions by participants	-21,490	-	-	-21,490
Actuarial gains/(losses) on liabilities	17,820	-450	-760	16,610
Net benefits paid out (note i)	55,260	1,960	2,720	59,940
Past service cost	-820	-10	-590	-1,420
Closing present value of liabilities	-1,523,940	-27,020	-37,310	-1,588,270
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	-	-	-1,000
Closing present value of liabilities	-2,074,760	-29,090	-40,430	-2,144,280

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.

7g Changes to the fair value of assets during the period

	31 March 2009 £'000	31 March 2010 £'000
Opening fair value of assets	1,053,980	860,700
Expected return on assets	69,960	49,070
Actuarial gains/(losses) on assets	-288,800	239,540
Contributions by employer	59,330	66,120
Contributions by participants	21,490	23,140
Net benefits paid out (note i)	-55,260	-57,620
Net increase in assets from disposals and acquisitions	-	-
Settlements	-	-
Closing fair value of assets	860,700	1,180,950

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.

7h Net actuarial gain/(loss) on pensions

The actuarial gains identified as movements on the pensions reserve in 2009/10 can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities at 31 March 2010:

	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
			as restated		
Difference between expected and actual return on assets	130,120 13.3%	-1,420 -0.1%	-98,040 -9.3%	-288,800 -33.6%	239,540 20.3%
Difference between actuarial assumptions about liabilities and actual experience					
LGPS funded			29,220 2.0%	-5,870 -0.4%	16,660 0.8%
LGPS unfunded			-430 -1.6%	-220 -0.8%	1,320 4.5%
Teachers unfunded			-	-400 -1.1%	1,640 4.1%
Total	1,470 0.1%	-3,280 -0.2%	28,790 1.9%	-6,490 -0.4%	19,620 0.9%
Changes in assumptions underlying the present value of pension liabilities					
LGPS funded			268,020 18.7%	23,690 1.6%	-449,550 -21.7%
LGPS unfunded			2,280 8.5%	-230 -0.9%	-3,640 -12.5%
Teachers unfunded			3,190 8.8%	-360 -1.0%	-5,080 -12.6%
Total	-109,380 -7.0%	7,400 0.4%	273,490 18.3%	23,100 1.5%	-458,270 -21.4%
Net actuarial gain/(loss)	22,210	2,700	204,240	-272,190	-199,110

In accordance with paragraph 79 of FRS17 (as revised), the unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The above history has not been restated for periods 2005/06 and 2006/07 and includes the experience relating to unfunded liabilities.

7i Movements on Pensions Reserve

	31 March 2009 £'000	31 March 2010 £'000
Net deficit at beginning of year	440,310	727,570
Movements in the year:		
current service cost	45,720	48,800
past service cost	1,420	1,000
contributions	-64,010	-70,840
expected return on pensions assets	-69,960	-49,070
interest on pension liabilities	101,900	106,760
actuarial loss/(gain)	272,190	199,110
Net deficit at 31 March	727,570	963,330

8 Net (gain)/loss on disposal of assets

	2008/09 £'000	2009/10 £'000
Sale proceeds	-2,405	-5,769
Less net book value of assets sold	5,568	6,230
Costs of sale	2	10
Net loss	3,165	471

9 Council tax income

From 1 April 2009, local authorities must show the accrued amount of council tax income in their Income and Expenditure Accounts rather than the amount that, under regulation, had to be paid from the Collection Fund. However, the General Fund Balance is based on the regulation amount, so the adjustment in the Income and Expenditure Account is reversed out to the Collection Fund Adjustment Account.

	2009/10 £'000
Opening balance at 1 April	-3,238
Accrued income	-513,503
Amount required under regulation	-512,212
	-1,291
Collection Fund Adjustment Account	-4,529

10 Government grants and contributions deferred

	2008/09 £'000	2009/10 £'000
10a. Contributions		
Balance at 1 April	-162,125	-165,950
Financing of expenditure in the year	-11,801	-8,766
Release of grants resulting from the depreciation of assets	7,976	7,055
Release of grants resulting from the disposal of assets	-	-
Balance at 31 March	-165,950	-167,661
10b. Government grants		
Balance at 1 April	-266,528	-307,168
Financing of expenditure in the year	-66,648	-67,984
Release of grants resulting from the depreciation of assets	26,008	25,810
Release of grants resulting from the disposal of assets	-	-
Balance at 31 March	-307,168	-349,342

These accounts contain contributions and external grants that have been used to finance capital expenditure. They are adjusted for depreciation (written down) to offset depreciation charges generated by the relevant assets, and when these assets are sold.

11 Soft loans

One interest-free loan was advanced in 2007/08 to enable a foster carer to buy a larger house. The amount was £247,597, repayable in monthly instalments within 30 years. In accordance with Financial Reporting Standard 26 (FRS26), the Income and Expenditure Account was credited in 2009/10 with an amount for the effective interest calculated at the market rate current when the loan was paid of £10,033 (£10,909 in 2008/09). 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.

12 Statutory provision for the repayment of debt

In accordance with accounting policies for 2009/10, the Council's provision to repay external debt is 4% of the capital financing requirement at the start of the year for supported borrowing. For unsupported borrowing incurred after 1 April 2008, minimum revenue provision is made on an equal instalment basis that reflects the life of the related asset, using a period that is no longer than that used to calculate the corresponding depreciation provision. For deferred liabilities relating to PFI and similar contracts, minimum revenue provision is made on the basis of the principal element of the annuity payment required to write down the liability over the life of the related assets.

13a 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 £'000	Community assets £'000	Non-operational properties £'000	Assets under construction £'000	Total £'000
Gross book value (GBV) at 31 March 2009	3,492,004	110,261	544,556	11,914	73,392	41,914	4,274,041
Additions	78,533	9,779	38,153	704	1,362	24,257	152,788
Disposals write-off GBV	-2,857	-16	-	-	-3,607	-	-6,480
Transfers to other classes	29,323	-	2,371	762	198	-32,654	-
Transfers to foundation schools and other lease holders	-24,328	-	-3	-	-6	-581	-24,918
Change in certified valuations	23,634	-	-	-	1,162	-	24,796
Adjustments to prior-year revaluations	-386	-2	-	-	-	-	-388
Gross book value (GBV) at 31 March 2010	3,595,923	120,022	585,077	13,380	72,501	32,936	4,419,839
Accumulated depreciation at 31 March 2009							
Depreciation/impairment	-580,362	-53,275	-98,450	-1	-8,499	-	-740,587
Depreciation for year	-68,753	-9,858	-18,446	-	-	-	-97,057
Impairment losses	-88,019	-	-2	-	-3,066	-	-91,087
Disposals accumulated depreciation	124	14	-	-	112	-	250
Depreciation on transfers to other classes	2	-	-	-	-2	-	-
Depreciation on transfers to foundation schools and other lease holders	3,338	-	1	-	-	-	3,339
Revaluations write back depreciation	141,963	-	-	-	2,680	-	144,643
Prior-year revaluations depreciation write back	16	2	-	-	-	-	18
Accumulated depreciation at 31 March 2010	-591,691	-63,117	-116,897	-1	-8,775	-	-780,481
Net book value (NBV) of fixed assets at 31 March 2009	2,911,642	56,986	446,106	11,913	64,893	41,914	3,533,454
Net book value at 31 March 2010	3,004,232	56,905	468,180	13,379	63,726	32,936	3,639,358
Nature of asset holding							
Owned	2,920,281	56,905	468,180	13,379	63,726	32,936	3,555,407
PFI/service concessions (see note 20)	83,951	-	-	-	-	-	83,951
	3,004,232	56,905	468,180	13,379	63,726	32,936	3,639,358

There was a net increase in asset values of £105.9 million in 2009/10. This was the result of additions in the year of £152.8 million, and a net increase from revaluations of £169.4 million that was offset by depreciation and impairments of £188.1 million, disposals of £6.2 million, adjustments to prior-year revaluations of -£0.4 million, and transfers to foundation schools and other lease holders of £21.6 million.

Foundation schools

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

On 31 March 2010 there were 28 foundation schools (26 in 2008/09).

Aided schools

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

On 31 March 2010 there were 56 aided schools (56 in 2008/09).

I3b Valuation of assets

The freehold and leasehold properties of the Council's property portfolio have been valued, under a rolling programme, by the Estates Services of the Council's Property, Business and Regulatory Services Department.

FRS15 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	Non-operational properties £'000
Valued at historic cost		56,905	468,180	13,379	
Pre 2005/06	1,070				-
2005/06	209,858				6,268
2006/07	181,251				3,582
2007/08	306,128				4,743
2008/09	1,210,450				22,293
2009/10	1,095,475				26,840
Total	3,004,232	56,905	468,180	13,379	63,726

I3c Fixed assets held at 31 March

		2009	2010
Land	Total land holding (acres)	16,800	16,734
Buildings	Area of all buildings (million sq. metres)	2	2
	Floor area of net usable office space (000s sq. metres)	61	61
Number of sites	Nursery schools	3	3
	Primary schools	367	366
	Secondary schools	51	49
	Special schools	26	25
	Education centres	8	8
	Activity centres	4*	4
	Print works	1	1
	Stores warehouses	2	2
	Central and area offices	62	67
	Waste disposal sites and recycling centres	32*	32
	Libraries (including library-based galleries)	53*	53
	Museums	11*	11
	Countryside sites	79*	79
	Record Office	1	1
	Arts centres	3	3
	Residential homes – Adult Services	37	37
	Residential homes – Children's Services	11	11
	Day centres – Adult Services	23	23
	Day centres – Children's Services (children's centres)	32*	37
County road length (km)		8,567	8,582
Vehicles and plant	Hampshire Transport Management	19	73

* 2009 figures restated on a comparable basis as 2010

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.

14 Capital financing

	Original 2008/09 £'000	Restated 2008/09 £'000	2009/10 £'000
Capital spending on fixed assets	161,361	161,361	152,788
Revenue expenditure funded by capital under statute	32,223	12,893*	14,776
	193,584	174,254	167,564
Funded by:			
Capital receipts	-2,405	-2,405	-11,493
Grants and other income	-78,450	-78,450	-76,750
Loans	-61,276	-61,276	-31,128
Revenue			
- main contribution	-39,082	-19,752*	-37,484
- reserves	-12,371	-12,371	-10,709
	-193,584	-174,254	-167,564

* Changes relate to the revised accounting treatment for the waste management contract. Please see note 1 for further details.

Commitments for major contracts entered into up to 31 March 2010 are estimated at £45.4 million (£30.4 million in 2008/09). This comprises £17.2 million (£8.4 million in 2008/09) for highways and £28.2 million (£22 million in 2008/09) for buildings.

15 Contributions from other authorities

These are principal repayments of debt charges relating to former County Council services that have transferred to other authorities.

16 Financial instruments

In accordance with Financial Reporting Standard 26 (FRS26), Financial Instruments: Recognition and Measurement, the Balance Sheet includes the following categories of financial instruments:

	see note	Long-term 31 March 2010 £'000	Current 31 March 2010 £'000
Loans and receivables:			
Long-term debtors	16a	1,328	-
Debtors	16b	-	78,918
Short-term investments	16c	-	184,584
Payments in advance			10,244
Loans and receivables		1,328	273,746
Financial liabilities at amortised cost:			
Long-term borrowing	16d	-336,556	-
Short-term borrowing	16e	-	-89,888
Deposits	16h	-	-3,319
Creditors	16i	-	-150,871
Receipts in advance	16j	-	-83,109
Developers' contributions	16g	-33,197	-
Financial liabilities at amortised cost		-369,753	-327,187

16a Long-term debtors

	31 March 2009 £'000	31 March 2010 £'000
Car loans to staff	731	972
Other	390	356
	1,121	1,328
Transferred debt	39,667	37,961
	40,788	39,289

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. £35.8 million remains to be repaid by the cities of Portsmouth and Southampton, and £2.1 million by Hampshire Police Authority.

The other long-term debtors, £1.3 million (£1.1 million in 2008/09), are classified as loans and receivable financial instruments.

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 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. Further detail is included in note 10. All loans are expected to be repaid in full, so a reduction for impairment is not considered necessary.

16b Debtors

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

	31 March 2009 £'000	31 March 2010 £'000
Government departments	8,143	11,347
Other local authorities	8,247	7,354
Sundry debtors	45,382	60,217
	61,772	78,918

The total amount due has been reduced by £1.5 million (£5.5 million in 2008/09) to take account of debts that are likely to be uncollectable. This reduction has been calculated and accounted for in accordance with the FRS26 requirements for impairment.

	Outstanding balance at 31 March £'000	Individually assessed impairment £'000	Collectively assessed impairment £'000	Total provision £'000
Outstanding debt raised in 2009/10	32,027	23	-	23
Outstanding debt raised in 2007/08 and 2008/09	1,174	123	294	417
Outstanding debt raised before 2007/08	1,014	190	824	1,014
	34,215	336	1,118	1,454

16c Short-term investments

Surplus cash balances are lent to borrowers on the Council's approved list. The level of short-term investments includes the effect of joint investment of surplus Hampshire Pension Fund and Hampshire Police Authority cash for treasury management purposes, which is reflected in the level of borrowing repayable within one year.

Investments are typically for periods of up to three months so the loan amount is a reasonable assessment of fair value.

Credit risk

Credit risk arises from deposits with banks and financial institutions. The Council's Annual Investment Strategy allows deposits to be placed with UK banks and financial institutions with a minimum Moody's credit rating of A2 and AAA for money market funds.

Since the global financial crisis started in 2008, the criteria for selecting counterparties and deciding the duration of deposits have been regularly reviewed. The list is currently restricted to the major UK clearing banks of Lloyds TSB, NatWest, Barclays and HSBC, Santander UK, which operate under a UK banking licence; the highest-rated building societies of Nationwide and Leeds; AAA-rated money market funds; and, if necessary for security, the Government's Debt Management Office.

The Council strictly applies credit limits in respect of all the above financial institutions to ensure that deposits are spread across a number of its approved counterparties. Limits are also placed on the duration of deposits. The current policy is to lend for no longer than 364 days.

No credit limits were exceeded during 2009/10 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Interest-rate risk

The Council is exposed to risk in terms of its exposure to interest-rate movements on its investments. For example, a rise in interest rates would have the following effects:

- investments at variable rates –
the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates –
the fair value of investments will fall. Where fixed-rate investments have short maturities, the effect will be similar to that for variable-rate investments, as the replacement investments will generate more income to the Income and Expenditure Account.

The Council has a number of strategies for managing interest-rate risk. Interest-rate movements are monitored daily and the Council seeks to lengthen the duration of the investment portfolio when it thinks a financial advantage can be achieved. The Council also aims to manage its investment maturity profile to ensure that no single month exposes the Council to a substantial re-investment requirement when interest rates may be relatively low.

Foreign-exchange risk

The Council has no financial assets denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

16d Long-term borrowing

Long-term borrowing is shown 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 loan, using premature repayment interest rates from the Public Works Loan Board (PWLB).

	31 March 2009		31 March 2010	
	Amortised cost £'000	Fair value £'000	Amortised cost £'000	Fair value £'000
Public Works Loan Board	262,963	307,461	263,556	292,394
Lender's option/borrower's option loans	74,033	78,340	73,000	74,619
	336,996	385,801	336,556	367,013

The 2009 SORP clarifies the position regarding accrued interest on loans. It requires that the long-term and current parts of individual financial instruments be separated. Therefore, all accrued interest on long-term borrowing at 31 March 2010 is included in current liabilities in Note 16e 'Borrowing repayable within one year'. Previously, accrued interest had been added to the value of the long-term loans outstanding, depending on the maturity date of the loans, even though interest is payable within a year. Accrued interest included in the 31 March 2009 figures amounted to £3,579,000.

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 Council would have to pay if it repaid the loans early.

16e Borrowing repayable within one year

These loans are due to be repaid within a year so their amortised cost in the Balance Sheet is a reasonable assessment of their fair value.

	31 March 2009 £'000	31 March 2010 £'000
Long-term borrowing repayable within one year	-4,008	-12,550
Temporary deposits by Hampshire Pension Fund	-84,746	-50,767
Other short-term borrowing	-11,087	-26,571
	-99,841	-89,888

16f Liquidity risk

As the Council has ready access to borrowing through the PWLB, there is no significant risk that it 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 policy of taking out its long-term borrowing requirements reasonably evenly from one year to the next.

	31 March 2009 £'000	31 March 2010 £'000
An analysis of loans by maturity is:		
Maturing between one and two years	-8,919	-4,861
Maturing between two and five years	-14,887	-19,585
Maturing between five and 10 years	-35,608	-33,307
Maturing between 10 and 15 years	-37,680	-41,308
Maturing between 15 and 20 years	-44,743	-43,308
Maturing between 20 and 25 years	-70,997	-85,307
Maturing in 25 or more years	-124,162	-108,880
	-336,996	-336,556

Interest-rate risk

The Council is exposed to risk in terms of its exposure to interest-rate movements on its borrowings. The Council has £73 million of lender's option/borrower's option (LOBOs) loans with banks at interest rates ranging between 3.89% and 5.0%. Under this arrangement, the banks have the option of increasing the interest rate on specified call dates. If the banks increase the interest rate, the Council has the right to repay the loan without penalty. If the banks did exercise their option, it is likely that the Council would have to pay a higher rate of interest if it chose to replace the loan.

The rest of the Council's borrowing consists of fixed-rate PWLB debt at interest rates ranging between 3.39% and 9.875%. Borrowings are not carried at fair value, so nominal gains and losses on fixed-rate borrowings will not affect the Income and Expenditure Account. In real terms, the value of the debt will be substantially eroded through the rest of its term by inflation.

Foreign-exchange risk

The Council has no financial liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

16g Developers' contributions

Developers' contributions arise mainly as a result of agreements under 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.

	2008/09			2009/10		
	Highways £'000	Other £'000	Total £'000	Highways £'000	Other £'000	Total £'000
Balance at 1 April	-31,599	-	-31,599	-32,706	-	-32,706
Income	-7,391	-	-7,391	-7,218	-25	-7,243
Contributions applied	6,284	-	6,284	6,752	-	6,752
Balance at 31 March	-32,706	-	-32,706	-33,172	-25	-33,197

16h Deposits

	31 March 2009 £'000	31 March 2010 £'000
Capital deposits and unapplied contributions	-1,304	-2,719
Other	-507	-600
	-1,811	-3,319

16i Creditors

The 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	31 March 2010 £'000
HMRC and other Government departments	-28,308	-33,584
Other local authorities	-16,668	-11,390
Sundry creditors	-101,276	-105,897
	-146,252	-150,871

16j Receipts in advance

	31 March 2009 £'000	31 March 2010 £'000
Education Standards Fund and devolved capital grants	-31,185	-42,630
Dedicated Schools Grant	-9,345	-12,638
Other receipts and contributions	-22,097	-27,841
	-62,627	-83,109

17 Stocks and work in progress

	31 March 2009 £'000	31 March 2010 £'000
Stocks		
Catering stock	384	377
County Supplies general	1,314	1,412
Culture, Communities and Rural Affairs sales stocks	261	263
Other (including landfill allowances)	282	295
	2,241	2,347
Work in progress		
Highway rechargeable works	962	958
Other	42	64
	1,004	1,022
Total stocks and work in progress	3,245	3,369

Closing stock valuations have been assessed using the latest purchase price. This does not accord with the Statement of Standard Accounting Practice 9 (SSAP9) (stocks and long-term contracts) that 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.

18 Cash in hand

	31 March 2009 £'000	31 March 2010 £'000
The balance shown comprises:		
- Schools' local bank accounts	4,704	4,738
- Petty cash	887	891
	5,591	5,629

Schools' local bank accounts include the balances held by 16 schools (20 in 2008/09) that have elected to have separate bank accounts. Petty cash includes 881 imprest accounts (867 in 2008/09) for minor day-to-day expenses held by establishments, including schools, across the whole county.

19 Cash overdrawn

This is the ledger balance of the main bank account and is almost entirely represented by payments drawn but not presented at the bank by the end of the year. The actual bank balance is managed daily to very modest limits, usually less than £100,000.

20 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 waste disposal assets constructed under the contract are now included in the County Council's 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 £'000
Gross book value	
At 1 April	95,227
Additions	-
Disposals	-
Revaluations	-
<hr/>	
Gross book value at 31 March	95,227
Depreciation	
At 1 April	-5,638
Depreciation for the year	-5,638
Impairments	-
Disposals	-
Revaluations	-
<hr/>	
Depreciation at 31 March	-11,276
Net book value at 1 April	89,589
Net book value at 31 March	83,951

The movement in the deferred liability was:	31 March 2008/09 £'000	31 March 2009/10 £'000
Balance brought forward 1 April	-113,017	-88,722
Principal repayment in the year	24,295	3,197
<hr/>		
Balance at 31 March	-88,722	-85,525
Finance lease repayable in one year	-3,197	-3,454
Deferred liability	-85,525	-82,071
<hr/>		
Balance at 31 March	-88,722	-85,525

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

	Principal repayment £'000	Interest £'000	Service charge £'000	Total £'000
Next year	3,454	6,842	34,271	44,567
Years two to five	16,807	24,375	154,475	195,657
Years six to 10	29,768	21,709	213,399	264,876
Years 11 to 15	35,179	7,974	244,198	287,351
Year 16	317	2	14,773	15,092
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	85,525	60,902	661,116	807,543

The South Coast Street Lighting PFI

The County Council has entered into one PFI contract for street lighting. This comes 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 contractor, Tay Valley Lighting. Each council has its own separate contract, to deliver individualised lighting requirements under a standard contractual framework. The County Council is replacing some 90,000 of its 150,000 street-lighting columns and modernising all the lanterns to improve energy efficiency 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 County Council's street-lighting network, running until 2035/36.

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	2,333	898	4,881	8,112
Years two to five	9,363	19,446	22,212	51,021
Years six to 10	17,924	33,844	34,102	85,870
Years 11 to 15	24,089	27,680	41,646	93,415
Year 16 to 20	32,373	19,395	49,937	101,705
Year 21 to 25	43,507	8,261	59,118	110,886
	129,589	109,524	211,896	451,009

Energy for street lighting is provided through a separate contract. The estimated cost over the next 25 years is £139 million. PFI credits of £234 million are due to be paid by the Department for Transport to the County Council.

21 Movement on reserves

	see note	Balance 1 April 2009 £'000	Net movement in the year £'000	Balance 31 March 2010 £'000
Reserve				
Revaluation reserve	21a	-434,573	-128,523	-563,096
Capital adjustment account	21b	-1,952,848	70,492	-1,882,356
Financial instrument adjustment account	11	98	-10	88
Collection fund adjustment account	9	-3,238	-1,291	-4,529
Capital receipts unapplied		-2,290	2,290	-
Pensions reserve	7i	727,570	235,760	963,330
Earmarked reserves	21c	-160,095	5,583	-154,512
General Fund		-34,512	-2,418	-36,930
		-1,859,888	181,883	-1,678,005

21a Revaluation reserve

This reserve represents a collection of net gains on the revaluation of individual fixed assets written down by the excess of current value depreciation over historic cost depreciation.

Upon disposal, the balance on the revaluation reserve for the individual asset is written off to the capital adjustment account. The reserve is not cash backed as it relates to unrealised asset gains. The movement in the account is analysed below:

	2008/09 restated £'000	2009/10 £'000
Balance brought forward 1 April	-273,073	-434,573
Net gain on valuation of fixed assets	-184,620*	-169,439
Excess of current value depreciation over historic cost depreciation	12,804*	40,688
Write off net gains for assets transferred to foundation schools	9,345	-63
Write off net gains for assets disposed of during the year	971	291
Balance as at 31 March	-434,573	-563,096

*Restated to reflect revised accounting treatment for the waste management contract. See note 1 for further details.

21b Capital adjustment account

This account contains spending 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:

	2008/09 restated £'000	2009/10 £'000
Balance brought forward 1 April	-2,403,356*	-1,952,848
Revenue contributions	-32,123*	-48,193
Capital receipts applied	-2,405	-11,493
Minimum revenue provision	-47,938*	-28,845
Depreciation and impairment	478,692*	188,144
Revenue expenditure funded from capital under statute	12,893*	14,776
Assets transferred to foundation schools	90,743	21,579
Deferred contributions released	-7,976	-7,055
Deferred government grants released	-26,008	-25,810
External contribution to minimum revenue provision	1,768	1,705
Adjustment to prior-year revaluations	414	370
Asset disposals current value	5,568	6,230
Excess of current value depreciation over historic cost depreciation	-12,804*	-40,688
Write off net gains for assets transferred to foundation schools	-9,345	63
Write out revaluations on asset disposals	-971	-291
Balance as at 31 March	-1,952,848	-1,882,356

*Restated to reflect revised accounting treatment for the waste management contract. See note 1 for further details.

21c 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 are shown below:

	31 March 2009	Net movement in the year	31 March 2010
	£'000	£'000	£'000
Schools	-37,433	3,464	-33,969
Capital	-8,899	8,430	-469
Landfill allowances	-5,758	-226	-5,984
Local Public Service Agreement Reward grant	-3,774	-963	-4,737
Insurance	-9,392	-3,250	-12,642
Designated underspendings	-16,707	2,226	-14,481
Grant equalisation	-24,905	2,490	-22,415
Equal pay	-39,198	-1,833	-41,031
Trading accounts	-10,649	-1,592	-12,241
Invest-to-save	-2,361	-1,933	-4,294
Corporate policy reserve	-	-650	-650
Corporate procurement reserve	-	-500	-500
Other	-1,019	-80	-1,099
	-160,095	5,583	-154,512

22 Reconciliation of Income and Expenditure Account deficit to net cash inflow from revenue activities

	2008/09 £'000	2009/10 £'000
Net surplus (-)/deficit (+) on the Income and Expenditure Account	471,761	155,437
Net cash outflow from servicing of finance activities	-13,978	-17,381
Variation in stocks	-117	124
Variation in deposits	519	-83
Variation in debtors	8,102	24,638
Variation in long-term debtors	-242	206
Variation in payments in advance	2,046	1,671
Variation in creditors	-12,620	-5,877
Variation in receipts in advance	3,000	-20,482
Variation in provisions	-690	27
Variation in interest accruals on borrowing	42	-3,532
	40	-3,308
Non-cash transactions		
Transfers to reserves	-5,462	5,583
Variation in doubtful debts provision	-3,207	607
Interest on developer contributions	-1,197	-103
Provision for loan and lease repayments	-47,938	-28,845
Financial instruments adjustment account	-11	-10
Collection fund adjustment account	-	-4,529
Contribution to capital outlay	-32,123	-48,193
	-89,938	-75,490
Net additional amount required by statutory and non-statutory proper practices to be credited to the General Fund Balance	-482,973	-157,855
Adjustment to Revenue Expenditure funded by capital under statute	12,893	14,776
Net cash inflow from revenue activities	-102,195	-83,821

23 Analysis of capital grants (Revenue grants are analysed in the Income and Expenditure Account)

	2008/09 £'000	2009/10 £'000
Capital grants		
Department for Children, Schools and Families	56,857	49,293
Department of Health	1,762	2,165
Department for Transport	6,198	5,565
Department for Communities and Local Government	1,659	2,611
Home and Communities Agency	-	5,206
Other bodies	1,194	3,144
	67,670	67,984

24 Movement in net debt

	at 1 April 2009 £'000	at 31 March 2010 £'000	Movement in the year £'000
Cash			
Cash in hand	5,591	5,629	38
Cash overdrawn	-17,124	-15,400	1,724
Short-term investments	195,209	184,584	-10,625
Cash inflow	183,676	174,813	-8,863
Financing			
Finance lease liabilities	-88,722	-85,268	3,454
Borrowing repayable within one year	-99,684	-86,456	13,228
Long-term borrowing	-333,417	-332,977	440
Total borrowing	-521,823	-504,701	17,122
Net debt	-338,147	-329,888	8,259

25 Reconciliation of movement in net debt to cash flow statement

	2008/09 £'000	2009/10 £'000
Cash inflow/(-) outflow	32,192	-8,863
Repayment of amount borrowed	28,295	12,454
New loans	-16,277	-8,560
Net reduction/increase in temporary borrowing	-33,891	13,228
	10,319	8,259

26 Leases

Operating leases – County Council as lessee

Some vehicles, items of equipment and property are financed under operational leases. The annual sum payable for leased vehicles and items of equipment is £3.7 million (£3.3 million in 2008/09). For property it is £3.8 million (£3.7 million in 2008/09). The figures now include contributions from employees in respect of leased cars and the 2008/09 figures have been restated to include these.

The amount paid in 2009/10 is shown below. The amount payable in 2010/11 is also shown together with an analysis of the year of expiry.

	Paid in 2009/10 £'000	Payable in 2010/11 £'000	Expires in that year £'000	Expires in second to fifth year £'000	Expires in over five years £'000
Other land and buildings	3,805	3,478	544	1,294	1,640
Vehicles, plant and equipment	3,659	3,175	396	2,555	224
	7,464	6,653	940	3,849	1,864

Future obligations under operational leases payable in 2009/10 and subsequent years total £53 million (£50 million in 2008/09).

Operating leases – County Council as lessor

The annual rent received from leased properties is £3.2 million (£3.2 million in 2008/09*).

The annual rent received from leased vehicles is £2.8 million (£2.7 million in 2008/09).

The value of assets held for use in operating leases is shown below:

	31 March 2009 £'000	31 March 2010 £'000
Gross book value	21,547*	20,679
Accumulated depreciation	-2,857*	-2,019
Net book value	18,690	18,660

* 2008/09 figures restated after revised analysis of all relevant assets on leased sites

Finance leases

At 31 March 2010 there were no outstanding obligations on finance leases.

See note 20 for details of assets acquired under PFI and service concession contracts.

27 Related-party transactions

During the year, transactions with related parties arose as follows:

	2008/09 £'000	2009/10 £'000
Central Government: receipt of Government grants		
- Revenue	1,006,963	1,048,144
- Capital	66,233	67,166
	1,073,196	1,115,310
Levy paid to the Environment Agency	547	553

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 191 other contributing scheduled and admitted bodies (199 in 2008/09).

The Pension Fund invests its surplus cash balances jointly with the County Council's to gain the benefits of scale. Interest was paid to the Pension Fund in 2009/10 based on the actual rate of interest earned.

The County Treasurer is also the appointed Treasurer of the Hampshire Police Authority and Hampshire Fire and Rescue Authority.

These two authorities also 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:

	2008/09 £'000	2009/10 £'000
Pension Fund		
Interest paid	1,836	356
Temporary borrowing 31 March	-70,939	-50,767
Administration charge	-1,873	-2,109
Hampshire Police Authority		
Interest paid	497	67
Temporary borrowing 31 March	-13,807	-7,603
Hampshire Fire and Rescue Authority		
Interest paid	73	8
Temporary investments 31 March	5,950	3,282

There were 22 related party transactions totalling £25,000 arising from disbursements from Members' devolved budgets. All such payments were countersigned by a Member other than the budget-holding Member.

There were no other related-party transactions involving Members or Chief Officers of the Council.

28 Related companies

The County Council does not have a controlling or dominant influence in any company under the terms of the Local Government and Housing Act 1989. A dominant influence means that the company operates in accordance with the Council's wishes. The Council does not consider that group accounts must accord with the criteria in the Accounting Code of Practice.

29 Members' allowances

The total of Members' allowances paid in the year was £1,329,000 (£1,285,000 in 2008/09).

30a Officers' emoluments

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

	Number of employees 2008/09			Number of employees 2009/10		
	Schools	Other	Total	Schools	Other	Total
£50,000 - £54,999	269	176	445	271	198	469
£55,000 - £59,999	142	102	244	176	118	294
£60,000 - £64,999	72	83	155	97	62	159
£65,000 - £69,999	34	34	68	43	43	86
£70,000 - £74,999	21	18	39	21	24	45
£75,000 - £79,999	13	19	32	12	16	28
£80,000 - £84,999	11	13	24	20	6	26
£85,000 - £89,999	8	3	11	5	11	16
£90,000 - £94,999	2	6	8	5	3	8
£95,000 - £99,999	3	4	7	3	6	9
£100,000 - £104,999	-	-	-	1	2	3
£105,000 - £109,999	1	3	4	-	2	2
£110,000 - £114,999	2	1	3	2	1	3
£115,000 - £119,999	1	-	1	3	-	3
£120,000 - £124,999	1	1	2	-	2	2
£125,000 - £129,999	-	1	1	-	2	2
£130,000 - £134,999	-	-	-	1	-	1
£135,000 - £139,999	-	3	3	-	2	2
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	1	1
£150,000 - £154,999	-	1	1	-	-	-
£155,000 - £159,999	-	-	-	-	1	1
£160,000 - £164,999	-	-	-	-	1	1
£165,000 - £169,999	-	1	1	-	-	-
£170,000 - £174,999	-	1	1	-	-	-
£175,000 - £179,999	-	-	-	-	-	-
£180,000 - £184,999	-	-	-	-	-	-
£185,000 - £189,999	-	-	-	-	-	-
£190,000 - £194,999	-	-	-	-	-	-
£195,000 - £199,999	1	-	1*	-	-	-
£200,000 - £204,999	-	-	-	-	-	-
£205,000 - £209,999	-	-	-	-	1	1
£210,000 - £214,999	-	-	-	-	-	-
£215,000 - £219,999	-	1	1	-	-	-
	581	471	1,052	660	502	1,162

*includes a termination payment

30b Senior employees' remuneration

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

Senior employees 2008/09

	Salary, (including fees and allowances)	Other emoluments	Benefits in kind	Total remuneration excluding pension contributions	Pension contribution	Total remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive Andrew Smith	204,723	15,000	-	219,723	39,878	259,601
Director of Children's Services John Coughlan	155,715	12,500	-	168,215	30,529	198,744
County Treasurer Jon Pittam	155,715	12,500	81	168,296	30,529	198,825
Director of Environment	144,036	10,000	110	154,146	27,901	182,047
Acting Director of Property, Business and Regulatory Services	127,913	-	-	127,913	23,215	151,128
Director of Adult Services (Appointed 1 December 2008)	43,403	10,000	-26	53,377	9,654	63,031
Director of Culture, Communities and Rural affairs	124,655	10,000	95	134,750	24,127	158,877
Director of Human Resources	125,001	10,000	-	135,001	24,127	159,128

Senior employees 2009/10

	Salary, (including fees and allowances)	Other emoluments	Benefits in kind	Total remuneration excluding pension contributions	Pension contribution	Total remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive Andrew Smith	207,969	-	-	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	-	163,190	30,351	193,541
County Treasurer Jon Pittam	158,190	-	-202	157,988	29,421	187,409
Director of Environment (to 20 September 2009) / Acting Director of Environment (from 21 September 2009)	139,762	-	269	140,031	26,093	166,124
Director of Economic Development (appointed 21 September 2009)	85,849	-	74	85,923	15,909	101,832
Director of Property, Business and Regulatory Services (Acting Director until 1 May 2009)	138,622	1,000	-	139,622	25,968	165,590
Director of Adult Services	136,262	-	68	136,330	25,338	161,668
Director of Culture, Communities and Rural Affairs	124,893	-	-8	124,885	23,228	148,113
Director of Human Resources	124,893	1,000	-	125,893	23,414	149,307

31 Pooled budgets

The County Council is a partner in two pooled budget arrangements. First, it 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 the County Council (host partner) and NHS Hampshire.

	2008/09 £'000	2009/10 £'000
Gross income	-3,629	-9,450
Expenditure	3,118	9,380
Surplus	-511	-70
Council's contribution	2,132	1,924

Second, 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 the County Council (host partner) and Hampshire Primary Care Trust (PCT).

	2008/09 £'000	2009/10 £'000
Gross income	-898*	-975
Expenditure	785	828
Surplus	-113	-147
Council's contribution	64	79

* 2008/09 income restated to include income carried forward from 2007/08.

32 External audit fees

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

	2008/09 £'000	2009/10 £'000
Code of Audit Practice	252	264
Grant claims	15	4
Inspection	17	18
National Fraud Initiative	1	2
	285	288

33 Contingent liabilities

The 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 £4.8 million at 31 March 2010 (see note 4).

The Council has set aside a reserve of £41 million at 31 March 2010 for transitional costs for non-school staff of implementing the single status agreement to recognise potential equal-pay compensation costs. To date, 999 equal-pay claims have been lodged in the employment tribunal. A total of 985 grievances have been received. It is unlikely that any claims will be resolved until later in 2010/11 so it is not possible to quantify reliably the liability associated

with equal-pay compensation.

34 Post Balance Sheet events

FRS17 Pension liabilities in the Hampshire County Council Pension Fund

In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. So any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to reduce pension liabilities and therefore the pension deficit on the Balance Sheet. The change will also affect the Income and Expenditure Account over the next accounting period.

The Council's actuary, Hewitt, has estimated that the impact on the Balance Sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities by between 8% and 10%, which is £171 million to £214 million. Hewitt have based this estimate on the FRS17 assumptions applying at the accounting year end and assume that CPI increases will be lower than RPI increases by around 0.7% a year in the long term - Hewitt's best estimate of the difference at the accounting date. The actual figure will reflect the age profile of pension fund members and the date of measurement and assumptions used when producing next year's figures.

It is expected that the reduction in liabilities will be accounted for as a (negative) past service cost. In other words, it represents a change to benefits since pension scheme members will expect a lower benefit after the change than before it.

It is also expected that the move to CPI will reduce the interest cost and current service cost calculated for the next accounting period compared to the position if pension increases had remained linked to the RPI.

As at 20 September 2010, when the accounts were authorised for issue by the County Treasurer, there were no other material post Balance Sheet events that required disclosure.

35 Trust funds

The Council acts as sole trustee for 24 trust funds (25 in 2008/09) and as administrator for 12 other trust funds (13 in 2008/09). They include educational prize funds, 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 Council.

	Balance at 31 March 2009 £'000	Income £'000	Expenditure £'000	Transfer of Trust £'000	Balance at 31 March 2010 £'000
Sole trustee funds					
Educational trusts					
Butlocks Heath/Netley Abbey School	287	18	-27	-	278
Dayas Music Scholarship	89	5	-2	-	92
Michael Austin Harlick Memorial	259	14	-14	-	259
Mace Educational Trust	113	6	-6	-	113
Other	25	-	-	-9	16
Total	773	43	-49	-9	758

Social Services trusts

Hampshire Mentally Handicapped Persons Holiday Organisation	43	-	-	-	43
Hampshire Old Industrial and Reformatory Schools	65	4	-2	-	67
Green Meadows Older Persons Home	16	1	-	-	17

Total	124	5	-2	-	127
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Museums trusts

Allen Curtis Museum Trust	24	3	-3	-	24
Red House Museum Trust	50	5	-5	-	50

Total	74	8	-8	-	74
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Libraries trust

Julian Davies Foundation	2	-	-	-	2
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Other

Hillier Arboretum trust	13	-	-1	-	12
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Total – sole trustee trusts	986	56	-60	-9	973
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Administrator funds

The Eggars Grammar School	1,837	66	-4	-	1,899
Alton Site Foundation					
Hampshire Foundation for Young Musicians	69	4	-6	-	67
Other	28	1	-	-4	25
Social services trusts	6	-	-	-	6

Total administrator trusts	1,940	71	-10	-4	1,997
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Total trust funds	2,926	127	-70	-13	2,970
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36 Undischarged obligations**Hampshire Public Service Network**

A contract for Hampshire Public Service Network 2 (HPSN2) has been entered into 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 three years. At 31 March 2010 the payments remaining under the contract are estimated to be £8.55 million.

Enterprise Licence

During 2006/07 the 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 £0.8 million at 31 March 2010 (£1.41 million at 31 March 2009) with about 1.5 years remaining.

Project Integra and the South Coast Street Lighting PFI – see note 20

Pension Fund Accounts

Fund Account	See note	2008/09 £'000	2009/10 £'000
Dealings with members and employers contributions			
- from employers			
- normal		118,586	125,759
- augmentation		4,313	4,741
- deficit funding		29,442	35,470
- from members			
- normal		52,931	56,060
- additional voluntary		1,584	1,724
	4	206,856	223,754
Transfers in			
Individual transfers in from other schemes		13,328	21,872
Benefits			
Pensions		-113,835	-124,207
Commutation of pensions and lump-sum retirement benefits		-29,516	-31,426
Lump-sum death benefits		-2,510	-4,168
	4	-145,861	-159,801
Payments to and on account of leavers			
Individual transfers out to other schemes		-7,475	-18,302
Refunds of contributions		-35	-35
State scheme premiums		7	7
	5	-1,971	-2,220
Administrative expenses			
		64,849	65,275
Net additions from dealings with members and employers			
Returns on investments			
Investment income			
Interest from fixed-interest bonds		5,471	5,210
Dividends from equities		58,892	49,733
Income from index-linked bonds		55	108
Income from pooled investment vehicles		1,067	1,283
Net rents from properties		8,181	9,110
Income from property unit trusts		1,242	1,237
Income from other alternative investments		108	928
Interest on cash deposits		6,472	1,637
Other		663	564
Change in market value of investments			
Realised		-269,756	-11,844
Unrealised		-418,574	729,475
	6	-2,034	-1,504
	5	-8,516	-9,777
		-616,729	776,160
Net increase/(decrease) in the Fund during the year			
		-551,880	841,435
Add opening net assets of the Fund		2,947,980	2,396,100
Closing net assets of the Fund			
		2,396,100	3,237,535

Net Assets Statement	See note	31 March 2009 £'000	31 March 2010 £'000
Investment assets			
Fixed-interest bonds	14	109,947	149,844
Index-linked bonds	14	3,868	5,219
Equities	8,11,14	1,194,721	1,823,228
Pooled investment vehicles:			
– index-linked	9,14	616,714	680,988
– equities	9,14	23,545	33,380
Derivative contracts	13	-	131
Property	14	93,550	134,273
Property unit trusts	14	62,918	60,656
Other alternative investments	14	105,679	128,326
Cash deposits		164,527	198,838
Investment liabilities			
Derivative contracts	13	-	-105
Net investment assets		2,375,469	3,214,778
Net current assets and liabilities			
Contributions due from employers		9,509	12,037
Other current assets		15,345	14,117
Current liabilities		-4,223	-3,397
Net assets - balance of Fund		2,396,100	3,237,535

Notes to the Pension Fund Accounts

I Operations and management

The Hampshire Pension Fund covers employees of Hampshire County Council, Portsmouth and Southampton City Councils and the 11 district councils in Hampshire, except teachers, for whom separate arrangements apply. It also covers 191 other scheduled and admission bodies.

Detailed Government regulations control rates of contribution and scales of benefits. Benefits are normally in the form of a lump sum and annual pension. In 2009/10, employees contributed £57.8 million and employers £166.0 million to the Fund. Contributions are calculated as a percentage of pensionable pay. As at 31 March 2010, 29,245 people were receiving pensions from the Fund.

A comprehensive review of the Fund's investment management arrangements in 2006/07 identified the need to diversify risks by increasing the number of specialist fund managers. The aim is to match liabilities by having an asset allocation designed to produce returns of 2.5% a year above a low-risk bond portfolio. At the end of 2009/10, the investments were managed by companies based in London:

	As a proportion of Fund's overall value
● Aberdeen Asset Management Limited	20.1%
● Newton Investment Management	12.0%
● Schroders Investment Management	11.6%
● Legal & General Investment Management	10.5%
● State Street Global Advisors	10.5%
● AllianceBernstein	8.9%
● GLG Partners	6.3%
● Western Asset Management	5.0%
● CB Richard Ellis Investors	4.6%
● Aberdeen Property Investors	1.3%

The Fund also employs Northern Trust as its global custodian and Aberdeen Asset Management as its adviser on alternative investments.

The Pension Fund Panel, consisting of nine county councillors, directs the management of the Fund. Co-opted to the Panel are one representative of the two city unitary authorities (Portsmouth and Southampton), and one representative of the 11 district councils and other employers in Hampshire; both have full voting rights. Two representatives of the Fund's pensioners and contributors are co-opted to the Panel, also with full voting rights. There is also an independent adviser who attends Panel meetings. The Panel meets the managers regularly to discuss performance and approve their management strategies. Members' attendance at the Panel's seven meetings in 2009/10 averaged 77%.

2 Accounting policies

Accounting standards

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2009 issued by the Chartered Institute of Public Finance and Accountancy, which is based on the Pension Statement of Recommended Practice (SORP) 2007. The accounts summarise the Fund's transactions and net assets. They do not take account of future liabilities to pay pensions and other benefits. See note 3 for the Fund's actuarial position, which does take account of such liabilities.

Basis of preparation

Income and expenditure are generally credited and debited to the Fund Account when earned or incurred, not when received or paid (that is, on an accruals basis). However, transfer values paid and received have been included on a receipts-and-payments basis.

Additional voluntary contributions, which are separately invested, are not included in the Pension Fund Accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No. 3093).

Investments

Investments are shown in the accounts at their market value, which has been determined as follows:

- FTSE-100 and Reserve List stocks are valued using the Stock Exchange Trading Service (SETS) bid price
- other listed securities and securities on other domestic markets – bid price at the close of business on 31 March 2010
- unlisted securities and alternative investments – using latest dealings, professional valuations, asset values and other appropriate financial information
- investments held in overseas securities – bid price at the close of dealing on 31 March 2010 translated into sterling at the rate that day
- the UK property portfolio – open-market value at 31 March 2010 as estimated by the Fund's property advisers
- derivative contracts – the gain or loss that would arise from selling the contract at the reporting date.

Acquisition costs

The cost of acquiring property and securities includes brokerage commission, legal fees and stamp duty.

3 Actuarial position

The Scheme Regulations require a full actuarial valuation every third year. This is to establish that the Hampshire Pension Fund can meet its liabilities to past and present contributors, and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed at 31 March 2007.

The valuation at 31 March 2007 showed that the Fund's financial position had improved since the previous valuation at 31 March 2004 in relation to benefits promised for service before the valuation date. This was mainly as a result of higher-than-expected investment returns and additional employers' contributions. The value of the Fund's assets was enough to cover 77% of the promised benefits earned to date by the Fund's members (that is, a 77% funding level). The cost of future benefit promises had increased compared with the costs identified in the previous calculation. This was due to the combined impact of benefit changes, changed economic conditions and better life expectancy.

The actuary calculated that a phased increase in the employers' contribution rates would be needed to meet the Fund's long-term liabilities. The rate was 17.7% of pensionable pay in 2007/08, and 18.1% in 2008/09, rising to 18.6% in 2009/10 and 19.1% in 2010/11.

The employers' contribution rates were calculated using the projected unit actuarial method, which is consistent with the aim of achieving the 100% funding level described above.

The main actuarial assumptions used for the March 2007 actuarial valuation were as follows:

Discount rate for periods

In service	
Admission bodies	6.20% a year
Scheduled bodies	6.20% a year
Left service	
Admission bodies	5.20% a year
Scheduled bodies	6.20% a year

Short-term investment returns until 1 April 2011

Equity / property assets	7.05% a year
Other investments	5.20% a year

Rate of general pay increases 4.70% a year

Rate of increase to pensions in payment 3.20% a year

Valuation of assets market value

The next actuarial valuation of the Fund is due to take place at 31 March 2010 and is now under way.

4 Contributions and benefits

The figures in the Fund Account are broken down in the following table:

	2008/09 £'000	2009/10 £'000
Contributions receivable		
Administering authority	78,728	86,931
Scheduled bodies	120,243	127,930
Admission bodies	7,885	8,893
Total	206,856	223,754
Benefits payable		
Administering authority	55,835	60,153
Scheduled bodies	85,089	93,602
Admission bodies	4,937	6,046
Total	145,861	159,801

The funding objective is to achieve and maintain a funding level of 100% of liabilities. For this reason, a certain proportion of employer contributions received will be used to reduce an existing deficit. The 2007 actuarial valuation stated that the deficit could be eliminated by improving the Scheme's funding for 25 years from 1 April 2008. In accordance with the Code of Practice on Local Authority Accounting in the UK 2009 SORP, the normal employers' contributions that relate to this deficit funding have been separately identified.

5 Administrative and investment management expenses

The figures in the Fund Account are broken down in the following table:

	2008/09 £'000	2009/10 £'000
Administrative expenses		
Pension administration costs and other overheads	1,797	2,061
Office and other administrative expenses	174	159
Total	1,971	2,220
Investment management expenses		
Investment management expenses	6,654	7,306
Property managers' expenses	996	1,514
Custodian's fees	290	339
Actuary's and other fees	576	618
Total	8,516	9,777

6 Taxation

The Fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold.

UK equity dividends are quoted and accounted for at the net rate. In line with the Pension Statement of Recommended Practice (SORP) 2007, the tax credit which the Fund cannot recover is not recognised.

Income from overseas investments suffers a withholding tax in the country of origin, unless exemption is permitted, as in the United States, Australia, Norway, and the Netherlands.

7 Investment returns

The summary investment returns achieved on the Fund are provided in the following table:

	2008/09 %	2009/10 %
Annual return	-19.7	32.3
Rolling 3-year average return	-5.7	1.7

8 Ten largest equity holdings

At 31 March 2010, the ten largest equity (company share) holdings by market value were as follows:

	£'000
Vodafone plc	58,995
Royal Dutch Shell plc	44,923
Rio Tinto plc	44,784
GlaxoSmithKline plc	36,352
HSBC plc	35,619
British American Tobacco plc	35,531
BP plc	33,898
Standard Chartered plc	32,880
BG Group plc	26,631
Centrica plc	25,693

9 Pooled investment vehicle holdings

Pooled investment vehicle holdings comprised the following:

	31 March 2009 £'000	31 March 2010 £'000
Index-linked		
SSGA Over 5-year index-linked gilts	308,685	340,723
Legal & General Over 5-year index-linked gilts	308,029	340,265
Total	616,714	680,988
Equities		
Aberdeen UK Emerging Companies	7,275	8,157
Aberdeen UK Mid-Cap Companies	5,463	7,431
Schroder Institutional UK Smaller Companies	4,960	7,687
Schroder Recovery A	4,067	6,839
Mellon Fund Manager Newton Discovery	1,780	3,266
Total	23,545	33,380

10 Concentration of investments

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

11 Analysis of UK equity investments by industrial sector

	£'000
Oil and gas	113,950
Basic materials (chemicals, mining, forestry)	106,036
Industrials (aerospace, defence, electronics, engineering)	85,046
Consumer goods (vehicles, household goods)	96,199
Health care (health care, pharmaceuticals)	59,878
Consumer services (general retailers, leisure, media)	106,258
Telecommunications (fixed line and mobile)	70,654
Utilities (electricity, gas, water suppliers)	33,024
Financials (banks, insurance, real estate, investment trusts)	183,270
Technology (computer hardware and software)	31,357
Total	885,672

12 Unlisted investments

All investments held by the Fund were listed on recognised stock exchanges, except the following:

	31 March 2009	31 March 2010
	£'000	£'000
Indirect European property	50,137	43,788
Indirect UK property	12,781	16,868
Sub-total	62,918	60,656
Private equities	52,679	65,819
Hedge funds	20,066	7,160
Renewable energy	4,402	8,227
Other alternative investments	28,532	47,120
Sub-total	105,679	128,326
Total	168,597	188,982

At 31 March 2010, these unlisted investment holdings represented 5.8% of the value of the Fund (7.0% at 31 March 2009).

The Fund's unlisted investment holdings are likely to increase over time given the planned intention over the long term to invest up to 10% of the total Fund's value in alternative investments, such as private equities and hedge funds.

Given that unlisted investments are not traded on recognised stock exchanges, they may take longer to convert into cash than listed investments.

13 Derivative contracts

At 31 March 2010, the Fund had derivative contracts in place with a net market value of £0.026 million (£0.228 million net market value at 31 March 2009).

	31 March 2009			31 March 2010		
	Assets £'000	Liabilities £'000	Net £'000	Assets £'000	Liabilities £'000	Net £'000
UK fixed income - futures	190	-	190	-	-68	-68
Overseas fixed income - futures	368	-268	100	120	-37	83
Overseas fixed income margined options - futures	136	-198	-62	-	-	-
Sub-total	694	-466	228	120	-105	15
Overseas fixed income - options	-	-	-	11	-	11
Total	694	-466	228	131	-105	26

All of the above derivative contracts are exchange traded. In other words, none are 'over the counter'.

The Fund's objective is to manage risk and interest rate exposure in the portfolio by entering into derivative contracts similar to assets that are already held in the portfolio without disturbing the underlying assets.

Type of future	Expiration (end date)	Economic exposure value £'000	Market value £'000
UK fixed income futures	June 2010	-8,839	-68
Overseas fixed income futures	June 2010	-504	83
Total		-9,343	15

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

14 Investment transactions

	Market value at 1 April 2009 £'000	Purchases £'000	Sales £'000	Change in value £'000	Market value at 31 March 2010 £'000
UK fixed-interest bonds (public sector)	184	94	-	-12	266
UK fixed-interest bonds (other)	9,905	4,490	-5,962	2,465	10,898
Overseas fixed-interest bonds (public sector)	24,183	105,013	-57,011	3,511	75,696
Overseas fixed-interest bonds (other)	75,675	21,276	-53,629	19,662	62,984
Fixed-interest sub-total	109,947	130,873	-116,602	25,626	149,844
Overseas index-linked bonds (public sector)	3,868	4,007	-3,260	604	5,219
UK equities	552,175	281,356	-261,787	313,928	885,672
North America equities	230,443	179,786	-144,241	98,559	364,547
Japan equities	68,399	38,474	-37,347	24,831	94,357
Europe equities	232,062	107,794	-126,495	84,990	298,351
Other overseas equities	111,642	70,869	-72,690	70,480	180,301
Equities sub-total	1,194,721	678,279	-642,560	592,788	1,823,228
Pooled investment vehicles:					
- index-linked	616,714	-	-	64,274	680,988
- equities	23,545	15,016	-18,986	13,805	33,380
Property	93,550	23,301	-3,225	20,647	134,273
Property unit trusts	62,918	12,033	-22	-14,273	60,656
Other alternative investments	105,679	27,352	-14,061	9,356	128,326
Cash movements allowing for currency hedging	164,527	171,560	-142,027	4,804	198,864
Total	2,375,469	1,062,421	-940,743	717,631	3,214,778

15 Contingent liabilities

The Fund had no contingent liabilities on 31 March 2010.

16 Investment commitments

The Fund had the following investment commitments at 31 March 2010:

	Committed £'000	Invested at 31 March 2010 £'000
Private equities	119,231	49,276
Indirect European property	54,977	37,471
Renewable energy	12,247	9,073
Other alternative investments	68,270	31,966
Total	254,725	127,786

17 Related-party transactions

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 191 other scheduled and admission bodies (199 in 2008/09).

The Pension Fund invests its surplus cash balances jointly with the County Council's to gain the benefits of scale. Interest was paid to the Pension Fund in 2009/10 based on the actual rate of interest earned.

Transactions with these related parties are shown below:

	2008/09 £'000	2009/10 £'000
Hampshire County Council		
Interest received	-1,836	-356
Temporary lending 31 March	70,939	50,767
Administration charge	1,873	2,109

18 Property

All the Fund's directly owned property is held as freehold. In December each year the directly held properties in the UK property portfolio are independently valued by Colliers CRE, Chartered Surveyors. All properties held in the UK property portfolio are subject to leases with upward-only rent reviews every five years.

19 Stock lending

The Fund lends stock to third parties under a stock-lending agreement with its custodian, Northern Trust. The total amount of stock on loan at the year-end was £94.371 million, and this value is included in the Net Assets Statement to reflect the Fund's continuing economic interest in the stock on loan. The table below summarises the value of stock lent out by the Fund on 31 March 2010.

	£'000
Equities – UK	37,820
Equities – overseas	45,840
Fixed interest – UK	675
Fixed interest – overseas	10,036
Total	94,371

As security for the stock on loan, the Fund received collateral at the year-end valued at £99.564 million. This represents 105.5% of the value of stock on loan and comprises 92% government fixed-interest bonds and 8% equities.

The income received from stock-lending activities was £0.060 million net of administrative fees for the year ending 31 March 2010 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

20 Additional voluntary contributions

The Fund's current main additional voluntary contribution (AVC) provider is Zurich. AVCs can also be paid to Equitable Life, but only if they are invested in its building society fund or for an additional death-in-service grant. The AVCs are invested separately from the Fund's main assets and used to buy extra pension benefits on retirement. Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year.

A summary of the information provided by Zurich and Equitable Life for the year to 31 March 2010 is shown below. (This summary has not been audited. The Fund relies on the individual contributors to check that deductions made on their behalf are accurately reflected in the statements the AVC providers issue.)

	Zurich £'000	Equitable Life £'000	Total £'000
Contributions received in year	1,442	36	1,478
Market value at 31 March 2009	6,535	1,577	8,112
Market value at 31 March 2010	8,083	1,538	9,621

Glossary

Accruals basis

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

Actuary

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

Admitted bodies

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

Alternative investments

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

Area Based Grant

A general Government grant allocated to local authorities as additional revenue funding to areas. Local authorities are free to use the grant to support the delivery of local, regional and national priorities.

Audit Commission

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

AVCs

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

Best Value

Delivering economy, efficiency and effectiveness to secure continuous service improvement – 'providing the quality services you want at a price you are willing to pay'.

Best Value Accounting Code of Practice (BVACOP)

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

Book value

The value of a fixed asset, such as a building or machine, as recorded in an organisation's books. It is the lower of the depreciated cost and the recoverable amount. The recoverable amount is the higher of the value in use and the net realisable amount.

Budget requirement

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

Capital adjustment account

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

Capital charges

Charges to service revenue accounts for depreciation, net of any Government grant released. Where appropriate they can also include the writing out of revenue expenditure funded by capital under statute (REFCUS).

Capital expenditure

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

Capital programme

A list of capital projects approved to start in a specified financial year.

Capital receipt

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

Capitalisation

Treatment of expenditure as capital rather than as revenue (see also capital expenditure).

Cash limit

A defined figure set at the start of the financial year to represent the maximum amount that a service can spend.

Central support services

Services organised on a corporate basis (for the whole Council) that support the delivery of services to the public.

Collection fund

An account maintained by a district council recording the amounts collected in council tax.

Community asset

An asset that the Council intends to hold forever, that has no determinable useful life, and that may have restrictions on its disposal. Examples of community assets are parks and historic buildings.

Comprehensive Area Assessment (CAA)

This considers how well the Council delivers services and how well the Council is run, as this will affect how services are delivered in the future.

Contingency provision

A sum included usually as a central provision within the budget to meet expenditure where timing and scale are uncertain.

Contingent liabilities

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

Continuing services

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

Corporate and democratic core

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

Council tax

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

Creditor

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

Current asset

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

Current liability

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

Current service costs

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

Custodian

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

Debtor

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

Dedicated schools grant (DSG)

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

Deferred contributions and Government grant accounts

Accounts that reflect the value of fixed assets in the Balance Sheet that are financed by specific Government grants or external contributions.

Defined benefit pension scheme

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

Deposit

Receipt held that is repayable in prescribed circumstances.

Depreciated replacement cost

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

Depreciation

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

Developers' contribution

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

Discretionary increase in pension payments

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

Dividends

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

Doubtful debt

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

Earmarked reserve See Reserve.

Emoluments

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

Equities

Shares in UK and overseas companies.

Exceptional item

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

Fair value

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

Finance lease

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

Financial instruments

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

Financial Reporting Standard (FRS)

Accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts.

Fixed asset

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

Foundation schools

A category of school that receives its funding from the Council but owns its land and buildings and employs its own staff.

General Fund

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

General Government grant

See revenue support grant.

Government grant released

The reduction in the value of a Government grant deferred when the corresponding fixed asset is depreciated or disposed of.

Gross expenditure

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

Hedge fund

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

Historical cost

The amount originally paid for a fixed asset.

Impairment loss

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

Infrastructure asset

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

Internal recharge

A charge made by one part of the Council to another.

Internal trading account

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

International Financial Reporting Standards (IFRS)

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

Landfill Allowances Trading Scheme (LATS)

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

Local Government Pension Scheme (LGPS)

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

Long-term asset

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

Long-term borrowing

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

Long-term debtor

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

National business rates

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

Net assets

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

Net assets statement

A statement showing the net assets of the Pension Fund.

Net current liabilities

The amount by which current liabilities exceed current assets.

Net operating expenditure

Gross expenditure less fees and charges for services and specific grants but before the deduction of revenue support grant, national business rates and council tax income.

Net revenue expenditure

Gross expenditure less fees and charges for services and specific grants but before the deduction of revenue support grant and national business rates.

Net worth

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

Non-distributed costs

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

Non-operational asset

A fixed asset held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or development.

Operational asset

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

Operational lease

Under this type of lease, the risks and rewards of ownership of the leased goods stay with the lessor (the company leasing out the goods).

Past service cost

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

Payment in advance

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

Pooled budget

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

Post Balance Sheet event

Events that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Precept

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

Private equity

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

Private Finance Initiative (PFI)

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

Projected unit actuarial method

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

Provisions

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

Realised capital resources

Usable capital resources arising mainly from the disposal of fixed assets.

Receipt in advance

A receipt that is attributable to a future financial year.

Related companies

Companies in which the Council has an interest.

Related party during the financial period

Two or more parties are related when:

- one party has direct or indirect control over the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times
- influence from the same source results in one of the parties entering into a transaction that is against its own separate interests.

Reserve

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

Residual life

The assumed remaining life of a fixed asset used in calculating the depreciation charge.

Revaluation reserve

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

Revenue contributions to capital

The use of revenue funds to finance capital expenditure.

Revenue expenditure

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

Revenue support grant (RSG)

Government financial support that does not have to be spent on a particular service. It is based on the Government's assessment of the Council's spending need, its receipt from national business rates and its ability to generate income from the council tax.

Scheduled bodies

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

Service concession

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

SETS

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

Short-term investments

An investment that is readily realisable.

Specific grants

Central Government grants to finance a particular service.

Stocks

Goods that are acquired in advance of their use in providing services or their resale.

Straight-line basis

Dividing a sum equally between several years.

Supported Capital Expenditure (Revenue) (SCE(R))

Central Government authorisation for a local authority to finance capital expenditure by any form of credit arrangement, such as loans or finance leasing.

Ringfenced SCE(R)s authorise the finance of capital expenditure on a particular service or project.

Unringfenced SCE(R)s authorise the finance of capital expenditure, are not specific to individual services and may be used as the Council wishes.

Transfer value

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

Transferee admitted body

A method by which employees who have been transferred to an employer outside the LGPS are permitted to remain as active members in the Scheme (that is, when a local authority outsources services to a private-sector company).

Transferred debt

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

Trust fund

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

Undischarged obligations

Spending to which the Council has committed itself but will incur in future years.

Unrealised capital resources

Capital resources that are not usable because they are tied up in fixed assets such as property.

Useful life

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

Work in progress

A product or service that is incomplete at the end of the year and is due to be recharged to an external body.

Write-off

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