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Explanatory foreword

1 Introduction

This document contains Hampshire County Council's statement of accounts for the year ended 31 March 2005. 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 2004/05 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 2004/05 are set out on pages 6 to 45.

They consist of:

- Statement of accounting policies
- Statement on the system of internal control
- Statement of responsibilities for the statement of accounts
- Consolidated Revenue Account - this covers income and expenditure on all services
- Consolidated Balance Sheet - this sets out the financial position at 31 March 2005
- Statement of total movements in reserves - this sets out how reserves have changed and been used during the year
- 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

Most of the County Council's income comes from general Government grant, a share of national business rates and the council tax. In addition, specific Government grants pay directly for certain services, and fees are charged to customers for some services. Interest is earned on day-to-day balances.

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

	2003/04 %	2004/05 %
Council tax	30	29
National business rates	25	23
General Government grant	22	24
Fees, charges and interest	12	12
Specific Government grants	11	12
	100	100

There was no significant change in the balance of income obtained from local and national taxes and from fees and charges in 2004/05. However, general Government grant increased to compensate for reduced income from the national business rate pool.

4 What the money is spent on

Type of expenditure

	2003/04 %	2004/05 %
Staff costs	55	57
Running expenses	40	39
Capital financing	5	4
	100	100

Service shares of gross revenue expenditure

	2003/04 %	2004/05 %
Education	59	58
Social Services	26	26
Highways, roads and transport	5	6
Cultural, environmental and planning services	8	8
Other services	2	2
	100	100

5 Employees

In 2004/05 the County Council employed 37,236 people, making the Council one of the largest employers in the county. Many of these employees work part-time, and in full-time equivalent (fte) terms, the total number of employees was 25,027 at 31 March 2005.

Full-time equivalent employees

	March 2004	March 2005
Education	16,476	16,439
Social Services	3,634	3,912
Recreation and Heritage	991	1,025
Environment	768	783
Central services and internal trading units	2,764	2,868
	24,633	25,027

6 Summary of the year – revenue account

2004/05 has again been a challenging year for the management of the County Council's finances, although the Government's decision in December 2003 to make additional grant available in 2004/05 enabled a lower council tax to be set than had been anticipated. Demand for services have kept on rising while the County Council has strived to achieve the improvements in outcomes necessary to meet the targets in the County Council's Local Public Service Agreement with the Government and in the Corporate Strategy, and to prepare for the far-reaching organisational effects of implementing the Children Act. Nonetheless overall spending has again been very closely controlled, with particular emphasis being required on managing pressures within Social Services.

The County Council also maintained an excellent rating from the Audit Commission in the Comprehensive Performance Assessment for the third year running.

The main components of the 2004/05 budget, revised budget and actual income and expenditure are set out below:

Budget	Original budget	Revised budget	Actual	Variation from revised
	£m	£m	£m	£m
Net cost of services	1,101.1	1,150.3	1,143.7	-6.6
Trading unit surpluses / (deficits)	-0.4	1.0	-0.7	-1.7
Asset management revenue account surplus	-70.5	-81.2	-84.6	-3.4
Pension interest cost and expected return on pensions assets	22.3	22.8	22.8	-
Net operating expenditure	1,052.5	1,092.9	1,081.2	-11.7
Contribution to capital	36.4	24.2	24.2	-
Contribution from other authorities	-2.3	-2.3	-2.3	-
Contribution from capital financing account	-7.8	-14.8	-14.8	-
Deferred charges	-10.0	-19.2	-19.2	-
Contribution from pension and other reserves	-15.2	-30.3	-23.1	7.2
Amount to be met from Government grant, local taxpayers and balances	1,053.6	1,050.5	1,046.0	-4.5
Council tax precept income	-405.4	-405.4	-405.4	-
General Government grant	-332.9	-334.0	-334.0	-
National business rates	-313.9	-311.6	-311.6	-
Budget requirement	-1,052.2	-1,051.0	-1,051.0	-
Variation in revenue account balance	1.4	-0.5	-5.0	-
Revenue account balance				
Brought forward 1 April 2004	8.6	12.6	12.6	-
Carried forward 31 March 2005	7.2	13.1	17.6	4.5

The budget requirement for 2004/05 was set at £1,052.2m, an increase of 5.9% on the adjusted budget for 2003/04. The budget was dominated by the effects of the partial removal of the 2003/04 Education damping designed to limit the effect of the new grant distribution formula on schools, which resulted in the County Council receiving the fourth lowest increase in Government support among equivalent county councils.

continued

Summary of the year – *continued*

As a result of the additional grant announced by the Chancellor of the Exchequer after the initial grant consultation, it was possible to contain the increase in council tax in 2004/05 to 4.7%. The budget continued the policy of passing on the increases reflected in the County Council's formula spending share for schools and Social Services to those services, representing an increase of £23.9m above the cost of inflation. An extra of £8.7m was also provided for inescapable demand and legislative pressures, including £3.8m for non-recurring spending financed from balances and from non-recurring savings. This programme included provision for establishing a team of Community Safety officers and for earmarking the County Council's share of the additional council tax income that came from reducing second home discounts mainly for affordable housing for key workers. Efficiency improvements of £5.0m were built into the budget.

In June 2004 the final accounts for 2003/04 were reported. Net operating expenditure and revenue contributions to capital were £13.8m below the revised budget. Half the savings in service cash-limited budgets, with savings in the insurance provision and revenue contributions to capital and additional trading unit surpluses were transferred to earmarked reserves, totalling £10.0m, so that the revenue account balance was £3.8m higher than forecast at 31 March 2004 at £13.1m. Because of the uncertain prospects for Government support in 2005/06 and 2006/07, the underspending in 2003/04 was retained in balances for use in 2005/06 and later years, resulting in estimated balances of £10.9m at 31 March 2005.

When services revised their budgets in the autumn, a saving of £0.8m was forecast on Policy and Resources, which was earmarked to be carried forward for use in 2005/06 and 2006/07. Savings of £3.4m on non cash-limited budgets were also forecast mainly as a result of

lower interest rates, higher interest on balances, savings in business rates due to successful valuation appeals, and a VAT refund on library income. These savings were partly offset by the need to allow for a £1.2m reduction in Government support expected as a result of the population data being corrected. The effect of these changes was to increase the forecast revenue account balance at 31 March 2005 to £13.1m.

At the end of the year, net operating expenditure was £11.7m below the revised budget. Half the savings in service cash-limited budgets, the reduction in the insurance provision, uncommitted council tax second homes income and additional trading unit surpluses were transferred to earmarked reserves, a total of £7.2m. The resulting saving of £4.5m led the revenue account balance to rise to £17.6m at 31 March 2005.

The table below analyses the main factors:

	Over/ under- spending	Contribution to/from reserves	Net over/ under- spending
	£m	£m	£m
Service cash-limited spending	-0.4	0.5	0.1
Business rates	-1.7	-	-1.7
Winter maintenance	0.8	-	0.8
Interest savings	-3.4	-	-3.4
Insurance provision	-3.8	3.8	-
Trading units	-1.7	1.7	-
Second homes income	-1.0	1.0	-
Other variations	-0.5	0.2	-0.3
	-11.7	7.2	-4.5

Additional expenditure of £0.9m mainly for priority one-off investments was agreed in 2005/06, leaving the balance of the underspending available to assist with the outcome of the pay and benefits review and the uncertainties concerning the 2006/07 grant settlement.

7 Summary of the year - capital expenditure

In 2004/05 the County Council spent £208.4m on capital projects, £5.6m more than the revised budget.

Spending on schemes financed from Government grants, supported borrowing and contributions from developers and outside agencies was £1.7m higher than forecast. So payments on locally resourced projects were £3.9m higher than estimated.

Capital receipts available to finance capital expenditure in 2004/05 were £5.2m higher than expected but £2.8m less was financed from revenue reserves and unsupported borrowing. So the requirement to use revenue contributions to capital to fund capital spending in 2004/05 was £1.5m higher than anticipated, requiring a contribution of £4.8m from the capital reserve.

Spending financed from supported borrowing amounted to £61.2m, supplemented by unsupported borrowing of £21.1m mainly for the ENHANCE project. Repayment of debt amounted to £16.2m. Potential outstanding borrowing for capital purposes to be serviced by the County Council now amounts to £460.4m, together with extra debt of £51.5m for services transferred to the unitary and other authorities. The Council is able to borrow on a day-to-day basis from internal resources, such as the revenue account and earmarked reserve balances. Net of temporary investments, £265.4m (an increase of £24.5m on the previous year) was owed to external lenders at 31 March 2005.

8 Changes

The County Council implemented the new Financial Reporting Standard on retirement benefits (FRS 17) in preparing its financial statements for 2003/04. In 2003/04 the present value of pension liabilities was assessed using a rate determined by the Government Actuaries Department based on the assumed long-term real rate of return on long-dated index-linked stocks. In 2004/05 the Accounting Code of Practice required liabilities to be discounted on the basis of the interest rate applicable to corporate bonds that carry a risk rating of AA, as prescribed by FRS 17. This reduced the discount rate by 1.1% in 2004/05 and this revised assumption added approximately £200m to the value of pension liabilities in 2004/05. As a result the net pension liability increased by £192m from £405m to £597m, whereas based on consistent assumptions there would have been a further small reduction in the net liability in 2004/05. This liability is long-term and volatile. Employer contribution rates have been subject to an annual phased increase as a result of the March 2001 actuarial valuation and will continue to increase on a phased basis after the March 2004 valuation, with the aim of restoring full funding over the longer term.

The Hampshire Fire and Rescue Authority (HFRA) ceased to levy on the County Council and unitary cities on 1 April 2004. It now receives a share of the national business rate and Government grant direct and sets its own council tax precept. The County Council transferred £490,000 of its revenue account balance to the HFRA on 1 April 2004 in accordance with a formula agreed between the three former contributory authorities and HFRA.

The County Council ceased to contribute to the costs of the Magistrates' Courts Committee when responsibility for funding of the service passed to a national agency from 1 April 2005.

9 Further information

You can get more information about the accounts and the related companies 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 (2004) (SORP) and the Accounts and Audit Regulations 2003. Compliance with the principal accounting policies is explained in the following notes.

2 Debtors and creditors

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.

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 2005 is estimated at £2.6m (£3.4m in 2003/04)
- 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

Variations to earmarked reserves are shown in the notes to the Consolidated Revenue Account. Expenditure on items for which the reserves were originally created is shown as service expenditure, with a corresponding contribution from the reserves to the Consolidated Revenue Account.

The main reserves are as follows:

- the Consolidated Revenue Account 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 invest-to-save reserve is used to finance future capital and revenue investment in initiatives that are expected to generate a payback which can be recycled into the reserve
- the designated underspending reserve enables services to carry forward underspendings to aid their budgets in future years
- the surplus from on-street car parking charges was held as a reserve to be used in accordance with Section 55 of the Road Traffic Regulation Act 1984
- 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 will be used to mitigate the effect on council tax payers of the shift in revenue support grant away from the County Council over a period which started in 2003/04
- the job evaluation implementation reserve will help to meet the transitional costs of re-structuring the County Council's pay scales caused by the national single status agreement.

Provisions represent legal liabilities, where the amount or date of payment is uncertain. They are charged to the revenue account in the year they are recognised.

4 Fixed assets

All spending on a fixed asset that yields benefits for more than one year is treated as capital expenditure in the accounts.

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
- 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 are also valued at depreciated historic cost.

Surpluses arising on the initial valuation of fixed assets have been credited to the fixed asset restatement account. Subsequent revaluations of fixed assets are undertaken on a five-year rolling programme.

Material changes to asset valuations will be adjusted in the interim as they occur. 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

Notional interest charges are based on asset valuations at the start of the financial year. The interest rate used is prescribed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee. In 2004/05 an interest rate of 3.5% was used for assets carried at current value. For assets carried at historical cost, that is infrastructure and community assets, the rate applied was 4.8%.

Depreciation charges are made on all fixed assets other than land and non-operational assets in accordance with the Financial Reporting Standard on tangible fixed assets (FRS 15). 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 FRS 15 was introduced in 2000/01, but when buildings are revalued their lives are reassessed to reflect the average useful economic life of the components 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
- 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 5 and 10 years

6 Deferred charges

Deferred charges are payments, which are capitalised on the grounds that they provide long-term benefits, but do not involve the creation of a tangible fixed asset or an intangible asset. They include grants to external organisations, capital spending on foundation schools and in previous years some of the costs of local government reorganisation.

The Council's policy is to write down deferred charges fully in the year in which they are incurred unless some lasting benefit to the Council itself can be shown.

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 our opening balance sheet each year.

The Council makes provision for the redemption of debt in accordance with the requirement that a minimum revenue provision be set aside from revenue. This must be at least equal to 4% of the capital financing requirement.

8 Basis of valuation - investments

Investments are shown in the Consolidated Balance Sheet at cost. Investments in the Pension Fund Net Assets Statement are shown at market value at 31 March 2005.

9 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.

10 Stocks and stores

Stocks worth £1.7m are included in the Consolidated Balance Sheet. There are various bases of valuation for these stocks, according to their differing natures and purposes. For example, County Supplies stock of £0.9m 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.

11 Pension arrangements

The County 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 the Financial Reporting Standard on retirement benefits (FRS 17).

12 Specific Government grants

Government grants for specific purposes are included in the accounts on the basis of the relevant percentage of eligible expenditure. These grants are shown in a separate column in the Consolidated Revenue Account.

13 Capital grants and contributions

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

14 Leasing

The Council sometimes uses operating leases to acquire vehicles or equipment as an alternative to capital financing. The rentals on the leases are charged to the revenue account of the service that uses the assets.

Statement of internal control for Hampshire County Council

1 Scope of responsibility

Hampshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the County Council is also responsible for ensuring that there is a sound system of internal control which enables the Council to carry out its work effectively and which includes arrangements for the management of risk.

In accordance with the requirements in the Accounts and Audit Regulations 2003, this statement sets out how the County Council has sought to meet these requirements during 2004/05.

2 Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; so it can 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 risks 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 system of internal control has been in place at the County Council for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts. The next section outlines the internal control environment in which the County Council operates and reviews the effectiveness of the controls.

3 Internal control environment

The key elements of control are as follows:

- The County Council sets out its objectives through the Corporate Strategy. Linked to this are service plans, the Workforce Plan, the Asset Management Strategy, the four Cabinet priorities, the Local Public Service Agreement, the Community Strategy, the Revenue and Capital Budgets, Action Plans arising from Best Value Reviews and External Inspection reports.

The Corporate Strategy sets out in one document the main messages about what the County Council stands for and how it expects to achieve the six corporate aims. It shows how the County Council responds to changes and challenges, identifies common aims with partners and sets priorities and targets for improvement. The Corporate Strategy is approved by the Corporate Management Team (CMT), Cabinet and full Council and forms the major part of the County Council's policy framework alongside the Community Strategy and Performance Plan. The Corporate Strategy is reviewed regularly and is informed by the outcomes of consultation, performance results, other review programmes and factors such as local and national policies and initiatives. It is published on the County Council's website alongside the Performance Plan and is available in hard copy. The Strategy is supported by other promotional activities including posters and the six aims provide a cornerstone for all internal and external communication activities.

The County Council has published guidance on its service planning process which links workforce, budget and service planning into the County Council's Corporate Strategy. The Corporate Performance Steering Group has responsibility for overseeing service planning and reporting twice a year on performance, in relation to the targets set in the Corporate Strategy to CMT and Cabinet through the Corporate Performance report.

To establish these corporate objectives the County Council has a corporate consultation strategy agreed by CMT and Cabinet each year which sets out plans 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 managers seminars (Success through People) and other staff communications mechanisms to inform service planning.

The County Council has an agreed communications strategy, currently under review, which is driven by the Corporate Strategy key aims and includes specific communications plans for individual activities and documents for example Cabinet priority work and the Comprehensive Performance Assessment. These plans are produced routinely for agreement by CMT and Cabinet.

- The County Council has a Constitution, originally adopted with effect from 1 September 2001, which sets out in full the processes by which its policies are made and decisions taken. It sets out clearly the role of the Council, the Leader, Cabinet, arrangements for the performance of regulatory functions and the Standards Committee. It also identifies the role of the Governance Committee established during the year to give added focus on governance issues.

The Constitution also sets out 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 those on financial regulations, contract standing orders, codes of conduct for members and officers and a protocol for member/officer relations.

- 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 forward planning of 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 Council's Budget Book.
- 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 to ensure the economical, effective and efficient use of resources, to secure continuous improvement in exercising its functions, and to provide effective performance management and reporting.

Review of effectiveness of internal control

The statutory roles of Monitoring Officer and Section 151 Officer ensure internal control procedures are efficient and effective and are being routinely complied with to ensure legality and sound financial standing.

The Monitoring Officer (the Head of Corporate and Legal Services) and the Chief Internal Auditor (for the Section 151 Officer) have close working relationships between themselves and with the Standards Committee and the Governance Committee. The Standards Committee has responsibility for maintaining high standards of probity among members through providing advice and training and by carrying out investigations referred to it by the Standards Board. The Governance Committee is responsible for monitoring, reviewing and reporting to the Cabinet the governance arrangements for the County Council.

The Council, Cabinet, Executive Members, Committees and Chief Officers have a full range of professional officer advice (including legal and financial) to enable them to carry out their functions effectively and in compliance with statutory requirements. The Council's Legal Practice has a central role in this respect. The Legal Practice obtained the Law Society's quality accreditation (Lexcel) in 1999 and has retained it since. Senior lawyers in the Practice have regular meetings with major clients to assess performance, review future demands and identify new legislative requirements.

The External Auditor is satisfied with the Council's arrangements (Annual Audit Letter 2003/04).

Internal Audit provide independent and objective assurances across the whole range of the County Council's activities.

The Governance Committee has approved the Internal Audit Plan for 2005/06 and monitored progress and outcomes of the 2004/05 Plan.

The Chief Internal Auditor has provided an Annual Statement of Assurance which is considered with the Final Accounts.

External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.

The Annual Audit Letter for 2003/04 commended the Council's excellent performance assessment and stated "it is well placed to further improve the way it works and the services it provides". In a separate report to the Governance Committee on the management of its financial affairs and standards of financial conduct, the External Auditor was able to place reliance on the work performed by Internal Audit.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the County Council in achieving its objectives are evaluated and regularly reviewed and mitigation strategies are developed.

The County Council has a well-developed Risk Management Strategy, the details of which are on the intranet at <http://hantsnet2000.hants.gov.uk/TC/riskmanagement/index.html>

A Corporate Risk Management Board and Risk Management Steering Group exist. The former is chaired by the Chief Executive, the latter by the Head of Resources in the Chief Executive's Department. The terms of reference etc. are on the intranet site.

The method of assessing risks has been reviewed and amended. Workshops were then held with all departments to raise awareness and provide training in the use of the method. Copies of the slides used at the presentation are available on the intranet site.

For the 2004 risk assessments each department trialled a database that had been developed by the Environment Department.

This now forms the corporate risk register and during 2005 we will be seeking to turn this into an integrated corporate risk management system. This will probably form part of a new audit management system.

Insurance policies and funds are in place and are regularly reviewed to ensure the Council is adequately safeguarded.

Provision of effective, efficient and responsive systems of financial management.

The Council's Financial Management Strategy is incorporated annually in the Budget Book. Progress against it is reviewed each year alongside the Final Accounts report. Procedures have been reviewed to ensure that the timetable for earlier completion of Final Accounts is achieved. As part of the Comprehensive Performance Assessment process, the Council received the top rating of four for its policies and procedures on use of resources. New and revised financial regulations were implemented from 1 September 2001, within the Constitution. Internal Audit monitor the effectiveness and level of compliance as part of their work during the year. This has confirmed that these regulations continue to operate successfully.

Codes of practice are issued by external bodies in respect of services and processes, with which the County Council is expected to comply.

The County Council has complied with the 2003 CIPFA Code of Practice relating to Capital Finance and Treasury Management. The County Council's Cabinet monitors policies, practices and activities through regular reports on debt management and investment strategy.

The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.

The Standards Committee has met regularly in the last financial year.

Governance Committee is charged with governance responsibilities.

A Governance Committee was established during the year to focus specifically on corporate governance issues. This focus is reflected in the Committee's terms of reference and in being chaired by the Leader of the Council with representation from the Leaders of the two opposition parties. The Council's Constitution refers to the full role of the Committee at Part 1: Chapter 10.

Performance management processes are in place to measure progress against objectives and to provide for remedial action where appropriate.

The performance management framework is not yet fully developed. Responding to recommendations from external inspection and audit, the Council is developing its sound building blocks of performance management into an integrated approach, which it is working to embed in the culture of the organisation. Particular attention is being paid to accountability for targets and to regularly monitoring progress against them.

Clear terms of reference are set for the preparation of service plans and guidance is offered on the performance management website, which shows how departments can reflect corporate objectives within service plans. The guidance also cross-references advice on budget planning and workforce planning.

Half-yearly reports, initially within departments, were implemented from October 2004, to report against the objectives and targets in service plans. Since service reviews are now instigated through the service planning regime, Best Value reviews only focus on cross-cutting and strategic issues. From 2005 these will drop the 'Best Value' label and work will be started to map the full range of strategic and cross-cutting reviews.

Statement of
internal control for
Hampshire County
Council
continued

The Council is aware of all performance measures and have either allocated responsibility or are currently identifying it through the service planning process.

From October 2004 the revised corporate performance reporting process covers:

- National performance results - these are incorporated in the corporate performance report: half-yearly report in October/November and full-year report in April/May.
- Results against Corporate Strategy targets/priorities - these form the major part of the corporate performance report.
- Reports against departmental/service targets/priorities - reports go to Departmental Management Teams half-yearly.
- Individual performance reports - every line manager considers performance results at least once a year, though usually more often. The process is evaluated by Investors in People (IIP) accreditation.

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

Performance is improved over time mainly by changes to policy or strategy. These arise from a mix of professional aspirations, the experience of senior/service managers, feedback from frontline staff, political aspirations, extensive opinion research, knowledge and analysis of external factors with performance results being added to this array of factors.

The performance plan updates and publishes a year-on-year comparison of achievement against performance targets on the website which, is accessible internally and externally.

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

A corporate procurement policy has been formally approved and communicated to all relevant staff.

The County Council produced its first formal Corporate Procurement Strategy (CPS) in 2003 and this complemented existing procurement policies and guidance. The CPS was launched to senior managers at a corporate 'Success through People' event in October 2003 and the document is accessible to all employees of the County Council as part of the procurement information published on its intranet, Hantsnet. The Council has held awareness sessions to support its procurement agenda for more than 300 staff and have produced further supporting information, for example 'Purchasing: A Brief Guide for Staff'. A detailed action plan supports the strategy and the Corporate Procurement Network established in December 2002, regularly monitors progress against these actions and against the milestones contained in the National Procurement Strategy for Local Government. The Director of Property, Business and Regulatory Services is the CMT sponsor for the procurement agenda and progress reports are made to CMT and to the Buildings, Land and Procurement Panel, which is chaired by the Leader of the County Council.

A Corporate Health and Safety Policy has been formally approved and communicated to all relevant staff.

The most recent Corporate Health and Safety Policy Statement was issued in March 2004 after undergoing extensive consultation and being approved by the Corporate Health and Safety Steering Group, the Chief Executive and the Leader of the Council.

The Policy was published in full electronically, both on the web pages and on the Health and Safety intranet site. An extract of the policy is being issued to departments to be put on safety notice boards.

The Corporate Health and Safety Policy, with the corporate topic based policy statements and standards documents, form the basis of the departmental health and safety management systems and documentation. Each department produces documents to comply with the corporate standards and has audit programmes to monitor compliance with their own arrangements. The Corporate Health and Safety Team has a programme to audit each department's health and safety management system and arrangements.

Statistical information on health and safety performance is collected and considered regularly at departmental and corporate forums and information is published each year on the Council's website.

A corporate complaints policy/procedure has been formally approved and communicated to all relevant staff, the public and other stakeholders. It is regularly reviewed.

The corporate complaints policy/procedure was last reviewed and revised in 2002. A corporate policy for dealing with difficult complainants was also endorsed in 2002. The corporate complaints policy is published as a fact-sheet with a form that the public can use to register complaints. The policies and an e-form are published on

Hantsweb and Hantsnet. Equalities monitoring is undertaken using data supplied by complainants with these forms. Copies of the fact-sheet have been distributed to all departments are available to the public from reception desks and all Information Centres around the county. Departmental induction programmes make new staff aware of the complaints policy and procedure. Separate complaints case files are maintained at departmental and corporate levels. Annual reports summarising and analysing complaints, decisions and actions to improve service delivery are presented by individual departments to appropriate Policy Review Committees. Similarly an annual report providing a corporate overview of complaints is written for Cabinet.

Reports received from external agencies and inspectorates. Relevant external inspection reports.

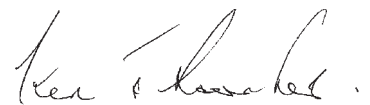
The Council's "excellent" status under CPA was reaffirmed in December 2004.

Delivery of services by trained, skilled and experienced personnel.

The Council has demonstrated its commitment through liP accreditation; its attention to training needs including for example the Leading Success programme and the proposed development of Hampshire Apprenticeship schemes; and the implementation of an Council-wide Enterprise Resource Management IT Systems and IT2000 facilities to support staff. Overall planning for workforce takes place through the annual Workforce Plan.



Chief Executive



Leader

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

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.

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.

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 fairly the financial position of the County Council as at 31 March 2005 and its income and expenditure for the year ended 31 March 2005.



J C Pittam BSc CPFA
County Treasurer
5 July 2005

4 The Chairman's statement

I certify that the statement of accounts for 2004/05 was considered and approved at the Statement of Accounts Panel meeting on 13 July 2005.



Chairman
13 July 2005

Independent Auditor's Report to Hampshire County Council

I have audited the statement of accounts on pages 18 to 40 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 6 to 9.

This report is made solely to Hampshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and Auditor

As described on page 16 the County Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year:

I review whether the statement on internal control on pages 10 to 15 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

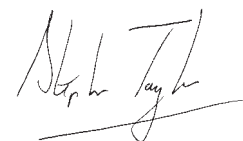
Opinion

In my opinion the statement of accounts presents fairly the financial position of Hampshire County Council as at 31 March 2005 and its income and expenditure for the year then ended.

Independent Auditor's Report to Hampshire County Council

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.



Stephen Taylor
District Auditor
31 October 2005

Audit Commission
North Wing,
Southern House
Sparrowgrove
Otterbourne
Winchester
SO21 2RU

Consolidated revenue account

		Expenditure and income				2004/05 Net Expenditure £'000
		2003/04 Net Expenditure £'000	Gross Expenditure £'000	Specific Grants £'000	Income Other Income £'000	
2,258	Central services to the public	3,814	299	1,269	1,568	2,246
93,422	Cultural, environmental and planning services	114,313	346	16,340	16,686	97,627
660,531	Education services	866,867	83,315	91,498	174,813	692,054
67,848	Highways, roads and transport services	84,436	1,793	5,314	7,107	77,329
210,532	Social services	385,037	77,235	48,816	126,051	258,986
268	Court services (note 2)	1,110	-	681	681	429
10,451	Corporate and democratic core	11,987	-	-	-	11,987
1,311	Non-distributed costs (note 10)	1,897	-	-	-	1,897
-	- Exceptional item (note 15)	-439	-	-	-	-439
-119	Reduction in provisions (note 6)	-3,469	-	-	-	-3,469
1,046,502	Net cost of continuing services	1,465,553	162,988	163,918	326,906	1,138,647
4,722	Magistrates' courts (note 2)	15,318	9,479	834	10,313	5,005
1,051,224	Net cost of services	1,480,871	172,467	164,752	337,219	1,143,652
41,205	Contribution to Hampshire Fire and Rescue Authority (note 4)					-
-1,202	Internal trading accounts (note 16)					-761
-75,529	Asset management revenue account (note 12)					-84,562
24,780	Pensions interest cost and expected return on pensions assets (note 9)					22,830
1,040,478	Net operating expenditure					1,081,159
37,887	Revenue contribution to capital expenditure					24,245
-2,354	Contribution from other authorities (note 22)					-2,277
-15,862	Contribution from capital financing account (note 13)					-14,819
-14,117	Deferred charges written down					-19,145
-24,190	Contribution to/(from) pension reserve					-32,320
4,780	Contribution to/(from) other reserves (note 14)					9,205
1,026,622	Amount to be met from Government grant and local taxpayers					1,046,048
-295,397	Revenue support grant					-334,004
-332,574	National business rates					-311,621
-401,219	Precept					-402,458
-2,915	Surplus on collection funds					-2,987
-5,483	(Increase)/reduction in revenue account balance for the year					-5,022
-7,606	Balance brought forward 1 April					-12,599
-13,089	Balance at 31 March					-17,621
490	less transfer to Hampshire Fire and Rescue Authority (note 2)					-
-12,599	Balance carried forward at 31 March					-17,621

1 Format

The Consolidated Revenue Account brings together income and expenditure on all services. The net cost of services is presented using the service expenditure analysis set out in the Best Value Accounting Code of Practice (BVACOP). This helps comparison between authorities.

2 Prior period adjustments

The County Council ceased to contribute to the costs of the Magistrates' Courts Committee when responsibility for funding of the service passed to a national agency from 1 April 2005.

These prior period adjustments are shown below:

	2003/04 original £'000	2003/04 adjusted £'000	difference £'000
Net expenditure			
Court services	4,990	268	-4,722
Magistrates' courts	0	4,722	4,722
	4,990	4,990	0

See note 27 to the balance sheet regarding Hampshire Fire and Rescue opening balance.

3 Pooled budgets

The County Council is a partner in the Hampshire Children's Trust. The purpose of this is to establish a Children's Trust for Child and Adolescent Mental Health Services in Hampshire under Section 31 of the Health Act 1999.

The other partner bodies are:

- Hampshire County Council (Host Partner)
- North Hampshire Primary Care Trust (PCT)
- Blackwater Valley & Hart PCT
- Mid Hampshire PCT
- East Hampshire PCT
- Fareham & Gosport PCT
- Eastleigh & Test Valley PCT
- New Forest PCT

The gross income for 2004/05 is £853,040 and expenditure £383,347 giving a surplus of £469,693.

The County Council's contribution was £500,000 (including contributions in kind of £32,040).

4 Hampshire Fire and Rescue Authority

The revenue account included Hampshire County Council's share of the costs of the Hampshire Fire and Rescue Authority, before 1 April 2004, when the HFRA became a precepting authority in its own right, so the County Council was no longer required to meet a share of its costs.

5 Local Authorities (Goods & Services) Act 1970

Services are provided to other local authorities and public bodies under the Local Authorities (Goods and Services) Act 1970. In 2004/05 income from this source was £11.1m (£11.3m in 2003/04), which covered the costs involved.

6 Change in provisions

Corporate contributions were:

	2003/04 £'000	2004/05 £'000
Provision for doubtful debts	-22	447
Provision for known insurance liabilities	-347	-3,766
Provision for part-time pensions	250	-150
	-119	-3,469

See note 16 to the balance sheet for further information on provisions.

7 Undischarged obligations

Project Integra

Project Integra is being implemented as the long-term solution to household waste management in Hampshire. It is a partnership between the County Council, the unitary and district councils in Hampshire and the private contractor Hampshire Waste Services (HWS). The partnership is underpinned by a long-term contract with HWS which is jointly administered by the County Council and Portsmouth and Southampton unitary authorities. The contract began in January 1996 and will run until 2024/25. At 31 March 2005 the payments remaining under the contract are estimated to be £1,507m, of which £1,183m will be charged to the County Council.

Hampshire Public Service Network

The County Council entered into a seven-year contract with Unysis for a new integrated voice and data network at the end of 1999. At 31 March 2005 the payments remaining under the contract were estimated at £4.85m.

South Hampshire Rapid Transit project

In 2001, the County Council and Portsmouth City Council, as joint promoters of the South Hampshire Rapid Transit project, received Transport and Works Act funding approval to procure a capital project linking Fareham, Gosport and Portsmouth via an immersed tube tunnel and a light rail line. Bids were received from the private sector at above the level of funding approved in 2001 and the Department for Transport confirmed that it did not regard the scheme as affordable at its increased cost. Having reviewed the project and allocation of risk the Council made a revised submission to the Department for Transport, and awaits a response.

8 Discretionary expenditure

The County Council used to rely on Section 137 of the Local Government Act 1972 for the power to incur expenditure of up to £1.90 per head of population on activities or projects "in the interests of the area or some of its inhabitants" which are not specifically authorised in other powers. Most of this power was repealed and replaced with a "well-being" power in the Local Government Act 2000 with effect from 18 October 2000. Section 137 remains as a power only for contributions to charities and not-for-profit bodies.

In 2004/05 spending under Section 137 amounted to £110,187 or 9p per head (£211,289 or 17p per head in 2003/04).

Most was spent on grants to voluntary organisations which could not be made under any other statutory power.

9 Pensions

As part of the terms and conditions of employment of its staff, the County Council provides retirement benefits. These will not actually be payable until employees retire but the County Council has a commitment to make the payments that need to be disclosed in accordance with the Financial Reporting Standard on retirement benefits (FRS 17), at the time that employees earn their future entitlement.

The County Council participates in two pension schemes:

- a) The Teachers' Pension Scheme for teachers - this is an unfunded defined benefit scheme. However, it is not possible to attribute the scheme liabilities to individual local authorities on a consistent and reasonable basis so, in accordance with FRS 17, pension costs are recorded as if the scheme was a defined contribution scheme.

b) The Local Government Pension Scheme (LGPS) for other employees - this is a funded defined benefit scheme, administered by the County Council. Employers and employees pay contributions into a fund at a level estimated to balance pension liabilities with investment assets. In 2004/05, pension costs have been charged to the Consolidated Revenue Account in accordance with FRS 17.

Current service cost of pensions

The LGPS fund's actuary has advised that the current service cost of pensions in 2004/05 is £46.21m (£31.84m in 2003/04). This is included in the net cost of services in the Consolidated Revenue Account. However, the charge met by taxpayers is based on employers' contributions payable in the year. This is achieved by adjusting the Consolidated Revenue Account after Net Operating Expenditure.

In 2004/05 the County Council paid an employer's contribution of £34.1m into the Hampshire County Pension Fund (£29.5m in 2003/04). This was 13.5% of pensionable pay (12.9% in 2003/04).

The contribution rate is determined by the fund's actuary (Hewitt, Bacon & Woodrow), based on valuations every three years.

The actuarial valuation of the Scheme as at 31 March 2004 led the actuary to recommend a phased increase in the employers' rate. The rate was 205% of employees' contributions in 2002/03, 215% in 2003/04 and 225% in 2004/05.

Past service cost of pensions

The actuary has advised that the past service cost for early retirements in 2004/05 is £1.6m (£1.7m in 2003/04). This includes teachers as the County Council is responsible for all pension payments relating to added years awarded by the County Council. This is included in non-distributed costs in the Consolidated Revenue Account, in accordance with BVACOP, but a charge of £1.9m (£1.3m in 2003/04) has been made after adjusting for the difference between actuarial assumptions and estimated cashflow in 2004/05.

The actuary has assessed past service cost for early retirements in previous years at £37.13m in respect of teachers' pensions (£32.58m in 2003/04) and £27.24m in respect of unfunded benefits to former employees in the LGPS (£24.49m in 2003/04). This is added to the pension liability in the Consolidated Balance Sheet. However, as for current service costs, the charge for council tax setting purposes is based on the cash paid in the year. In 2004/05 contributions paid to cover the cost of early retirements were:

	LGPS £'000	Teachers £'000	Total £'000
Early retirements in 2004/05	117	110	227
Early retirements in previous years for which payments are still being made	1,980	2,352	4,332
Total payments in 2004/05	2,097	2,462	4,559

Notes to the consolidated
revenue account

Other pension transactions included in the Consolidated Revenue Account are set out below:

Pensions interest cost and expected return on Pension Fund assets		
	2003/04 £'000	2004/05 £'000
Interest cost on pension liabilities	62,260	69,860
Expected return on Pension Fund assets	-37,480	-47,030
	24,780	22,830
Contribution from the Pensions Reserve		
	2003/04 £'000	2004/05 £'000
Current service cost of pensions	31,840	46,206
Employer's contributions to Local Government Pension Scheme	-29,262	-34,054
	2,578	12,152
Added years and early retirement cashflows in the year	-4,479	-4,559
Charge to non-distributed costs for early retirement in the year	1,311	1,897
	-3,168	-2,662
Pensions interest cost and return on assets	24,780	22,830
	24,190	32,320
Contribution from pension reserve	-24,190	-32,320
Net effect on Consolidated Revenue Account	-	-

Teachers' Pension Scheme

This is a defined benefit scheme administered by the Department for Education and Skills. The scheme is unfunded, which means that the pensions of past employees are paid for by present employers' and employees' contributions. However, the Department has established a notional fund as the basis of calculating the employers' contribution. Contributions are at the rate of 13.5% (13.5% in 2003/04). In 2004/05 the net cost was £40.4m (£38.8m in 2003/04).

10 Non-distributed costs

In accordance with the BVACOP the additional pension costs for added years and early retirements are not charged to individual services. They are aggregated as non-distributed costs.

11 Publicity account

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of publicity expenditure. Spending on publicity in 2004/05 was £5.0m (£4.6m in 2003/04).

The main components are:

	2003/04	2004/05
	£'000	£'000
Advertising for staff	2,741	3,104
Corporate Communications		
Team costs (including staffing)	841	816
Promotion of tourism	127	125
Publicising public transport services	179	231
Road safety publicity	186	173
Promotion of economic development and investment in Hampshire	64	71
Early Education publicity	120	98
Waste management publicity	47	85
Promotion of other transportation initiatives	11	6
Planning policy promotion	92	137
Social services publicity	72	73

12 Asset management revenue account

The balance on this account reflects the difference between capital charges levied on services (which represent a realistic economic cost of using assets in the delivery of services) less the cost to the Council of financing its assets (from borrowing) and depreciation suffered on the assets during the year:

	2003/04	2004/05
	£'000	£'000
Capital charges to services	-120,135	-131,026
Depreciation provision	42,206	46,390
Less Government grant released	-9,707	-13,114
Net interest payable	12,107	13,188
Asset management revenue account surplus	-75,529	-84,562

13 Contribution from the capital financing account

The contribution from the capital financing account comprises:

	2003/04	2004/05
	£'000	£'000
Provision for repaying loans	16,637	18,457
Depreciation provision (net of Government grants released)	-32,499	-33,276
Contribution from the capital financing account	-15,862	-14,819

The Local Government Act 2003 requires the Council to make provision within its revenue account to repay external debt. The provision is defined as a percentage of the County Council's capital financing requirement. The current provision rate is the minimum, 4%. The debt arises from borrowing to finance previous years' capital programmes.

Notes to the consolidated revenue account

Notes to the consolidated
revenue account

14 Earmarked reserve accounts

	2003/04	2004/05
	£'000	£'000
Variations in reserve accounts are as follows:		
Schools	12	*2,410
Capital	-1,953	-4,787
Insurance	1,072	541
Designated underspendings	-372	1,534
On-street parking	-4,036	-210
Delayed hospital discharge	-950	0
Grant equalisation	7,857	7,857
Job evaluation implementation	2,000	750
Trading accounts	1,213	873
Invest-to-save	-75	239
Other	12	-2
	4,780	9,205

*The increase in the schools reserve reflects the impact on schools balances of allowing the temporary use of up to 25% of school reserves to fund Education capital projects before capital receipts become available. Schools spent £6.656m less than their delegated budgets in 2004/05 but £4.246m was used for capital financing in accordance with the school balances loan scheme.

15 Exceptional item

The exceptional item was a refund of VAT relating to the hire of electronic items which had been taxed in error for a number of years.

16 Internal trading accounts

The trading units had an overall surplus of £761,000 (2003/04 overall surplus of £1,202,000) as follows:

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.

	2003/04	2004/05
	£'000	£'000
Income	21,930	23,027
Expenditure	21,672	22,823
Surplus	258	204

Education Business Units - provide support services principally to schools but also to other departments and other local authorities.

	2003/04	2004/05
	£'000	£'000
Income	24,016	29,042
Expenditure	24,247	28,899
(Deficit)/Surplus	-231	143

Information Technology Services - provided to County Council departments and some other local authorities.

	2003/04	2004/05
	£'000	£'000
Income	27,864	31,887
Expenditure	27,050	31,771
Surplus	814	116

County Supplies - operate the central purchasing warehouse and arrange direct delivery and other contracts for County Council departments, other local authorities and voluntary organisations.

	2003/04	2004/05
	£'000	£'000
Income	9,176	9,505
Expenditure	8,979	9,359
Surplus	197	146

Hampshire Printing Services - provide printing and reprographic services to County Council departments.

	2003/04	2004/05
	£'000	£'000
Income	2,274	2,531
Expenditure	2,215	2,497
Surplus	59	34

Five other smaller trading units - including a surplus of £83,000 (£80,000 surplus in 2003/04) on the management of the River Hamble.

	2003/04	2004/05
	£'000	£'000
Income	1,213	1,386
Expenditure	1,108	1,268
Surplus	105	118
Total surplus	1,202	761

17 Members' expenses

The total of members' allowances paid in the year was £1,147,000 (£1,112,000 in 2003/04).

18 Officers' emoluments

The number of employees whose remuneration, excluding pension contributions, was, £50,000 or more, in bands of £10,000, is as follows:

	Number of employees	
	2003/04	2004/05
£50,000 - £59,999	81	151
£60,000 - £69,999	43	53
£70,000 - £79,999	9	15
£80,000 - £89,999	6	7
£90,000 - £99,999	3	6
£100,000 - £109,999	1	1
£110,000 - £119,999	-	-
£120,000 - £129,999	3	2
£130,000 - £139,999	1	1
£140,000 - £149,999	-	2
£150,000 - £159,999	-	-
£160,000 - £169,999	-	-
£170,000 - £179,999	1	-
£180,000 - £189,999	-	1
	148	239

19 Related-party transactions

During the year transactions with related parties arose as follows:

	2003/04	2004/05
	£'000	£'000
Central Government		
Receipt of Government grants		
- Revenue	783,730	818,092
- Capital	34,550	41,269
	818,280	859,361
Levy paid to the Environment Agency	5,728	638

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 204 other scheduled and admitted bodies (190 in 2003/04). The Pension Fund pools its surplus cash balances with the County Council's to

gain the benefits of scale and interest was paid to the Pension Fund in 2004/05 at the average monthly seven-day rate.

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:

	2003/04	2004/05
	£'000	£'000
Pension Fund		
- Interest paid	2,183	2,686
- Temporary investments 31 March	51,204	77,883
- Administration charge	1,203	1,396
Hampshire Police Authority		
- Interest paid	658	1,464
- Temporary investments 31 March	30,569	26,003
Hampshire Fire and Rescue Authority		
- Interest paid	43	306
- Temporary investments 31 March	738	4,826

There were no other related-party transactions involving members or chief officers of the Council.

20 Operational leases

The annual sum payable for leased vehicles and items of equipment is £2.1m (£2.2m in 2003/04). For property it is £3.3m.

21 External audit fees

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

	2003/04	2004/05
	£'000	£'000
Code of Audit Practice	248	261
Grant Claims	116	81
Other	21	22
	385	364

22 Contribution from other authorities

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

Notes to the consolidated revenue account

Consolidated balance sheet

31 March 2004		note		31 March 2005
£'000				£'000
2,403,831	1	Tangible fixed assets	2,646,278	
2,068	2	Deferred charges	-	
54,142	3	Long-term debtors	51,221	
2,460,041		Total long-term assets		2,697,499
		Current assets		
2,536	4	Stocks and work in progress	3,031	
43,665	5	Debtors	49,920	
6,553		Payments in advance	8,159	
65,395	6	Short-term investments	108,210	
9,419	7	Cash in hand	6,703	
127,568			176,023	
		Current liabilities		
10,058	8	Deposits	23,029	
99,750	9	Creditors	120,475	
35,471	10	Receipts in advance	35,315	
95,488	11	Borrowing repayable within one year	117,542	
12,229	12	Cash overdrawn	19,753	
252,996			316,114	
125,428		Net current liabilities		140,091
2,334,613		Total assets less current liabilities		2,557,408
208,000	13	Long-term borrowing	243,000	
209,753	14	Deferred contributions and Government grants	280,004	
25,067	15	Developers' contributions	27,483	
10,988	16	Provisions	7,709	
453,808			558,196	
405,300	26	Net liability related to defined benefit pension schemes		597,030
1,475,505		Total net assets		1,402,182
		Financed by:		
1,535,918	17	Fixed asset restatement account	1,633,394	
265,778	18	Capital financing account	272,420	
-405,300	26	Pensions reserve	-597,030	
66,506	19	Earmarked reserves	75,711	
4	20	Other balances	66	
12,599	27	Revenue account	17,621	
1,475,505		Total net worth		1,402,182

1a Fixed assets

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

Notes to the consolidated balance sheet

	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 2004	2,032,598	79,806	271,366	9,385	65,824	79,020	2,537,999
Less accumulated depreciation/impairment	-80,321	-20,545	-33,230	-1	-71	-	-134,168
Net book value of fixed assets at 31 March 2004	1,952,277	59,261	238,136	9,384	65,753	79,020	2,403,831
Movement in 2004/05							
Additions	104,890	8,566	46,888	1,055	3,115	29,479	193,993
Transfers	30,820	-4,541	27,962	711	-4,384	-53,200	-2,632
Disposals							
Write-off of accumulated depreciation	399	915	-	-	-	-	1,314
Write-off GBV	-7,224	-1,527	-3	-3	-9,426	-	-18,183
Revaluations							
Write-off of accumulated depreciation	18,193	-	-	-	-	-	18,193
Change in certified valuations	108,885	-	-	-	-12,733	-	96,152
Impairment losses due to revaluations	-	-	-	-	-	-	-
Impairment losses for past year	-	-	-	-	-	-	-
Depreciation for year	-30,804	-5,723	-9,863	-	-	-	-46,390
Net book value at 31 March 2005	2,177,436	56,951	303,120	11,147	42,325	55,299	2,646,278
Gross book value at 31 March 2005	2,269,969	82,304	346,213	11,148	42,396	55,299	2,807,329
Accumulation depreciation/impairment	-92,533	-25,353	-43,093	-1	-71	-	-161,051
Net book value at 31 March 2005	2,177,436	56,951	303,120	11,147	42,325	55,299	2,646,278

There was a net increase in asset values of £242.4m in 2004/05. This was the result of additions in the year of £194m, and a net increase from revaluations of £114.3m partly offset by depreciation of £46.4m, and disposals of £16.9m and transfers to deferred charges of £2.6m.

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 2005 there were 20 foundation schools (2003/04 20 schools).

Ib Valuation

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

FRS 15 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 year	Other land and buildings £'000	Vehicles, plant and equipment £'000	Infra-structure £'000	Community assets £'000	Non-operational properties £'000
Valued at historic cost			56,951	303,120	11,147	
Valued at current value in:						
	1994/95	7,018				1,969
	1995/96	457				36
	1996/97	236				155
	1997/98	3,398				2,421
	1998/99	37				42
	1999/00	15,495				4,936
	2000/01	1,054,205				3,421
	2001/02	15,285				4,653
	2002/03	324,338				14,140
	2003/04	231,062				6,395
	2004/05	525,905				4,157
		2,177,436	56,951	303,120	11,147	42,325

Ic Fixed assets held at 31 March

2004 2005
£'000 £'000

Land

Total land holding (acres) 16,610 16,780

Buildings

Area of all buildings (million sq. metres) 1.7 1.7

Floor area of net usable office space (000s sq. metres) 49 52

Number of buildings

Nursery schools 2 2

Primary schools 437 434

Secondary schools 71 71

Special schools 29 28

Activities centres 5 5

Magistrates' courts and office 11 11

Print works 1 1

Stores warehouses 2 2

Central and area offices 56 60

Waste disposal sites and recycling centres 28 28

Libraries 54 54

Museums 19 19

Countryside sites 83 84

Record office 1 1

Arts centres 4 4

Social Services - residential homes 52 52

Social Services - day centres 33 33

County road length (km) 8,538 8,517

Vehicles and plant

Hampshire Transport Management 77 52

The reduction in vehicles in 2005 is due to the policy of replacing owned vehicles with leased vehicles.

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.

I d Capital financing

Capital spending on fixed assets and deferred charges totalled £208.4m (£155.7m in 2003/04). It was financed as follows:

2003/04 2004/05
£'000 £'000

Capital receipts 16,508 18,469

Grants and other income 45,414 83,366

Loans 53,176 82,358

Revenue

- Main contribution 25,985 12,450

- Reserves 11,902 11,795

Creditors 2,725 -

155,710 208,438

Commitments for major contracts entered into up to 31 March 2005 are estimated at £39m. This comprises £8m for highways and £31m for buildings.

I e Leases

At 31 March 2005 there were no outstanding obligations on finance leases.

Some vehicles, items of equipment and property are financed under operational leases. The annual sum payable on these is £5.4m. The future obligations under operational leases are £29.7m and their profile is as follows:

Operational leases	Paid in 2004/05 £'000	Payable in 2005/06 £'000	expires in that year £'000	expires in 2nd to 5th year £'000	expires in over 5 years £'000
Other land and buildings	3,321	3,321	425	1,477	1,419
Vehicles, plant and equipment	2,132	2,803	619	2,031	153
	5,453	6,124	1,044	3,508	1,572

2 Deferred charges

Movements in the value of deferred charges during the year were as follows:

	2003/04 £'000	2004/05 £'000
Balance at 1 April	2,663	2,068
Expenditure	11,610	14,444
Transfer from assets under construction	1,912	2,633
Less:		
Amounts written off to the capital financing account	-14,117	-19,145
Balance at 31 March	2,068	-

Deferred charges represent expenditure that has been capitalised but does not add to the value of assets controlled by the County Council. The expenditure in the year and the transfer from assets under construction includes grants to third parties and capital payments on foundation schools. The balance at the beginning of the year represents expenditure incurred in 1996/97 and 1997/98 on local government reorganisation, both of which were being written off over seven years starting in 2000/01 and 2001/02 respectively, but have been written off in full in 2004/05.

3 Long-term debtors

	31 March	
	2004 £'000	2005 £'000
Car loans to staff	998	919
Transferred debt	52,602	49,939
Other	542	363
	54,142	51,221

Transferred debt represents amounts of capital advances due to be repaid following statutory transfers of former services to independent bodies. £44.1m remains to be repaid by the cities of Portsmouth and Southampton, £2.7m by the Higher Education Funding Council, and £3.2m by the Hampshire Police Authority.

4 Stocks and work in progress

	31 March	
	2004 £'000	2005 £'000
Stocks		
Catering stock	302	323
County Supplies general	981	917
Recreation and Heritage sales stocks	195	247
Other	295	253
	1,773	1,740
Work in progress		
Highway rechargeable works	722	1,217
Other	41	74
	763	1,291
Total stocks and work in progress	2,536	3,031

Closing stock valuations have been assessed using the latest purchase price. This is not in accordance with the Statement of Standard Accounting Practice on stocks and long term contracts (SSAP 9), which requires stock to be valued at the lesser of the original purchase price and current value, but the differences in the valuations are not material.

5 Debtors

	31 March	
	2004 £'000	2005 £'000
Government departments	13,162	8,832
Other local authorities	5,629	6,316
Sundry debtors	24,874	34,772
	43,665	49,920

6 Short-term investments

Surplus cash balances are lent to borrowers on the County Council's approved list. The increase in the level of short-term investments in 2004/05 was mainly the result of pooling surplus Pension Fund, Police and Fire Authority cash for Treasury Management purposes and the increased sums lent by those bodies to the County Council.

7 Cash in hand

	31 March	
	2004	2005
	£'000	£'000
The balance shown comprises:		
Schools' local bank accounts	8,625	5,873
Petty cash	794	830
	9,419	6,703

Schools' local bank accounts include the balances held by 21 schools (26 in 2003/04) which have elected to have separate bank accounts. Petty cash consists of 914 imprest accounts (922 in 2003/04) for minor day-to-day expenses which are held by establishments, including schools, across the whole county.

8 Deposits

	31 March	
	2004	2005
	£'000	£'000
NHS nursing care contribution	8,338	20,666
Other capital deposits and unapplied contributions	989	1,639
Other	731	724
	10,058	23,029

9 Creditors

	31 March	
	2004	2005
	£'000	£'000
HM Revenue and Customs and Government departments	24,357	25,017
Other local authorities	6,722	6,613
Sundry creditors	68,671	88,845
	99,750	120,475

The County Council's policy is to pay business creditors within 30 days of the date shown on the invoice.

10 Receipts in advance

	31 March	
	2004	2005
	£'000	£'000
Education Standards Fund and devolved capital grants	22,894	21,329
Other receipts and contributions	12,577	13,986
	35,471	35,315

11 Borrowing repayable within one year

	31 March	
	2004	2005
	£'000	£'000
Long-term borrowing repayable within one year	8,000	4,000
Temporary deposits by Hampshire Pension Fund, Hampshire Police Authority, and Hampshire Fire and Rescue Authority	82,511	108,712
Other short-term borrowing	4,977	4,830
	95,488	117,542

12 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 on a daily basis to very modest limits, usually less than £100,000.

13 Long-term borrowing

Range of interest rates payable	Source of loan	Outstanding 31 March	
		2004	2005
		£'000	£'000
3.8%-9.875%	Public Works Loan Board	184,000	207,000
2.7%-5%	Lender's option/borrower's option loans	24,000	36,000
		208,000	243,000

An analysis of loans by maturity is:

Maturing between 1 and 2 years	4,000	8,000
Maturing between 2 and 5 years	20,000	16,000
Maturing between 5 and 10 years	21,000	29,000
Maturing in 10 or more years	163,000	190,000
	208,000	243,000

Notes to the consolidated balance sheet

14 Contributions deferred and Government grants

	2003/04 £'000	2004/05 £'000
Balance at 1 April	174,046	209,753
Financing of expenditure in the year	45,414	83,365
Release of grants resulting from the depreciation and disposal of assets	-9,707	-13,114
Balance at 31 March	209,753	280,004

This account contains contributions and external grants that have been used to finance capital expenditure. It will be adjusted for depreciation (written down) to offset depreciation charges generated by the relevant assets, and when these assets are sold.

15 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, the County Council can ask developers to contribute towards the costs.

16 Provisions

	31 March	
	2004 £'000	2005 £'000
Insurance claims	9,634	5,313
Contract terminations	75	67
Grant loss	-	1,200
Part-time pensions	1,250	1,100
Other	29	29
	10,988	7,709

The insurance provision represents an assessment of the likely cost of liability claims known to the County Council at 31 March 2005.

The risks covered are:

Liabilities

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

Property

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

Contents owned by the County 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 a contract basis 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.

The Government has indicated that it intends to issue an amending report for 2004/05 that will alter entitlement to Revenue Support Grant and to National business rates for that year. As only one report may be issued in respect of each year, the Government has delayed issuing the report until all possible data corrections have been assessed. The report will allow for the effect of changes in population data agreed after the 2004/05 settlement and the County Council has assessed the provision for repayment of grant arising from this known correction.

A House of Lords' decision enables some part-time employees to claim retrospective membership of the Pension Fund. This covers the potential liability of the County Council for retrospective employers' contributions.

17 Fixed asset restatement account

The fixed asset restatement account was created to allow assets to be maintained in the accounts at current value. The reserve is written down by the net book value of assets being disposed of. It is also debited or credited with deficits or surpluses when revaluations are made.

18 Capital financing account

The capital financing account contains:

- the amounts that were required by law to be set aside from capital receipts for the repayment of external loans (applied to the disposal of most assets until 1 September 1998)
- the amount from revenue and capital receipts used to finance capital expenditure
- the statutory amount required to provide for the repayment of external loans, less the amounts included for depreciation and writing down of deferred charges.

19 Earmarked reserves

	31 March	
	2004 £'000	2005 £'000
Schools	28,343	30,753
Capital	8,402	3,615
Insurance	6,094	6,635
Designated underspending	2,822	4,356
On-street parking	210	-
Grant equalisation	13,068	20,925
Job evaluation implementation	4,000	4,750
Trading accounts	3,211	4,084
Invest-to-save	89	328
Other	267	265
	66,506	75,711

Schools reserves represent the net underspending on budgets managed by governors of schools at 31 March 2005, as adjusted for advances made under the school balances loan scheme. They are not available to the County Council when managing the finances of the authority.

20 Other balances

The other balances figure is largely internal recharges within the County Council which are not yet finalised and which will be carried forward to 2005/06.

21 Trust funds

The Council acts as sole trustee for 29 trust funds (29 in 2003/04) and as administrator for 14 other trust funds (14 in 2003/04). They include educational prize funds, funds for the financing of improvements in education, social services and museum establishments, and musical and sports scholarship funds. The trusts are mainly invested in specialist pooled funds for charities and cash held on deposit with the County Council.

Notes to the consolidated balance sheet

	Balance at 31 March 2004 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2005 £'000
Sole trustee funds				
Educational trusts				
Butlocks Heath/Netley Abbey School	395	21	24	392
Dayas Music Scholarship	78	5	3	80
Michael Austin Harlick Memorial	241	15	9	247
Shipton Bellinger School House	41	1	1	41
Spitfire Mitchell Memorial	165	9	0	174
Other	135	8	7	136
Total	1,055	59	44	1,070
Social services trusts				
Hampshire Mentally Handicapped Persons Holiday Organisation	36	1	0	37
Hampshire Old Industrial and Reformatory Schools	59	4	3	60
Other	14	1	0	15
Total	109	6	3	112
Museums trusts				
Allen Curtis Museum Trust	24	3	3	24
The Flora Twort Trust	41	3	3	41
Red House Museum Trust	50	4	4	50
Total	115	10	10	115
Libraries trust				
Julian Davies Foundation	1	0	0	1
Total - sole trustee trusts	1,280	75	57	1,298
Administrator funds				
The Eggars Grammar School Alton Site Foundation	3,042	142	747	2,437
Hillier Arboretum trust	36	12	12	36
Other	23	1	0	24
Social services trusts	5	0	0	5
Total administrator trusts	3,106	155	759	2,502
Total trust funds	4,386	230	816	3,800

22 Contingent liabilities

The County Council self insures and therefore handles all its own liability claims. The liabilities are uncertain but to cover them the Council maintains a provision for known liability claims, assessed at £5.3m at 31 March 2005 (see note 16).

23 Related companies

The County Council exercises influence over the Hampshire Buildings Preservation Trust Limited.

Hampshire Buildings Preservation Trust Limited is a company limited by guarantee and not having share capital. The Trust is mainly engaged in preserving buildings of particular beauty or historical, architectural or constructional interest, or ancient monuments in Hampshire. Originally the Trust's Articles provided for the membership of the Board to be 19 in number, of whom nine are appointed by the County Council. However, during 2002/03 the County Council decided to reduce its influence and now has only six members on the Board of Management. As from December 2005 the board will be reconstituted and the County Council will be able to appoint only one member to the Board.

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 are required.

You can obtain more details of the accounts of the above company from The County Treasurer, Hampshire County Council, The Castle, Winchester SO23 8UB.

24 Euro IT costs

No significant IT costs will be incurred if the euro is adopted, as new financial and related business systems have been being introduced that will already be fully euro-compliant.

25 Post balance sheet events

There were no material post balance sheet events that require disclosure.

26 Pensions

The County Council participates in two pension schemes:

a) The Teachers' Pension Scheme for teachers - this is an unfunded defined benefit scheme. However, it is not possible to attribute the scheme liabilities to individual local authorities on a consistent and reasonable basis, so in accordance with FRS17 pension costs are recorded as if the scheme was a defined contribution scheme.

b) The Local Government Pension Scheme (LGPS) for other employees - this is a funded defined benefit scheme, administered by the County Council. Employers and employees pay contributions into a fund at a level estimated to balance pension liabilities with investment assets. In 2004/05, pension assets and liabilities have been included in the Consolidated Balance Sheet based on a formal actuarial valuation for 31 March 2004.

An independent actuary (Hewitt, Bacon & Woodrow) assessed the share of the assets and liabilities of the Hampshire LGPS attributable to the County Council and also the unfunded benefits for 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	
	2004	2005
	£m	£m
Estimated liabilities in the scheme		
Hampshire Pension Scheme	1,022.1	1,330.2
Unfunded Liabilities:		
Teachers	32.6	37.1
Other Staff	24.5	27.3
	1,079.2	1,394.6
Estimated assets in the scheme		
(all relating to Hampshire Pension Scheme)	673.9	797.6
Net liability	405.3	597.0

Liabilities have been assessed on an actuarial basis using the projected unit method. This estimates the pensions that will be payable in future years, based on assumptions about mortality rates, salary levels etc. The main assumptions are as follows:

	2003/04 % per year	2004/05 % per year
Rate of discount for scheme liabilities	6.4	5.3
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions in payment	2.9	2.9
Rate of increase in deferred pensions	2.9	2.9
Rate of inflation	2.9	2.9
Rate of return on equities	7.7	7.7
Rate of return on bonds	4.7	4.7
Rate of return on property	6.7	6.7
Rate of return on other assets	4.2	4.8
Average long-term expected rate of return	6.9	6.9

Assets are valued at fair value, mainly market value for investments, and consist of the following categories, by proportion:

The movement in the net pension liability for the year is as follows:

	31 March			31 March	
	2004 %	2005 %		2004 £m	2005 £m
Equities (shares)	69.8	69.0	Net deficit at beginning of year	-452.7	-405.3
Bonds	21.2	22.2	Movements in the year:		
Property	3.7	4.0	- current service cost	-31.8	-46.2
Other assets	5.3	4.8	- past service cost	-1.7	-1.6
			- contributions	34.1	38.3
	100.0	100.0	- expected return on Pension Fund assets	37.5	47.0
			- interest on pension scheme liabilities	-62.3	-69.8
			- actuarial (loss)/gain	71.6	-159.4
			Net deficit at 31 March	-405.3	-597.0

27 Prior period adjustment revenue account balance

The comparative figure has been re-stated to exclude £490,000 transferred to Hampshire Fire and Rescue Authority on 1 April, as shown in the Consolidated Revenue Account. This is now included under creditors.

Statement
of total
movement
in reserves

31 March 2004 £'000		£'000	31 March 2005 £'000
	Surplus/(deficit) for the year		
5,483	Revenue account	5,022	
4,780	Earmarked reserves (note 14 of Consolidated Revenue Account)	9,205	
10,263	Total increase/(decrease) in revenue resources		14,227
-	Total increase/(decrease) in realised capital resources (note 1)		-
90,673	Gains/(losses) on revaluation of fixed assets	114,345	
-1,584	Impairment losses on fixed assets due to revaluations	-	
89,089	Total increase/(decrease) in unrealised value of fixed assets (note 2)		114,345
-5,318	Value of assets sold, disposed of or decommissioned (note 3)		-
16,508	Capital receipts set aside	18,469	
5,724	Revenue resources set aside	-11,827	
35,707	Movement on deferred contributions and Government grants	70,251	
57,939	Total increase in amounts set aside to finance capital investment (note 4)		76,893
71,560	Net actuarial gain/(loss) on pensions (note 5)	-159,410	
-24,190	Adjustment to Consolidated Revenue Account to reconcile with pension contributions and early retirement cash flow	-32,320	
47,370	Net pension gain/(loss) reflected in pensions reserve		-191,730
199,343	Total recognised gains and (losses)		13,735

Notes to the statement of total movements in reserves

I Movement in realised capital resources

	Usable capital receipts £'000
Amount receivable in 2004/05	18,469
Amounts applied to finance new capital investment in 2004/05	-18,469
Change in realised capital resources in 2004/05	-
Balance brought forward at 1 April 2004	-
Balance carried forward at 31 March 2005	-

The usable capital receipts reserve is cash-backed, so it was available to help finance capital expenditure in 2004/05. The receipts arise from the sale of fixed capital assets.

2 Movements in unrealised value of fixed assets

5 Net actuarial gain/(loss) on pensions

Notes to the statement of total movements in reserves

	Fixed assets restatement account £'000
Gains/losses on revaluations of fixed assets in 2004/05	114,345
Impairment losses on fixed assets arising from revaluations in 2004/05	-
Total increase in unrealised capital resources in 2004/05	114,345

	£'000
Difference between the expected and actual return on assets (3.4% of scheme assets)	27,240
Difference between actuarial assumption about liabilities and actual experience (4.7% of scheme liabilities)	65,530
Changes in assumptions underlying the present value of pension liabilities (18.1% of scheme liabilities)	-252,180
	-159,410

3 Value of assets sold, disposed of or decommissioned

	£'000
Amounts written off fixed asset balances for disposals in 2004/05	-16,869
Total movements on reserve in 2004/05	97,476
Balance brought forward at 1 April 2004	1,535,918
Balance carried forward at 31 March 2005	1,633,394

The fixed asset restatement account was created to allow assets to be maintained in the accounts at current value. The reserve is not cash backed as it relates to unrealised assets.

4 Movement in amounts set aside to finance capital investment

	Capital financing reserve £'000	Deferred contributions & Government grants £'000	Total £'000
Capital receipts received and set aside in 2004/05	18,469		18,469
Revenue resources set aside in 2004/05			
- Capital expenditure financed from revenue	24,245		
- reconciling amount for provision for loan repayment	-36,072		
Total revenue resources set aside	-11,827		-11,827
Grants and contributions applied to capital investment		83,365	
Amounts credited to asset management revenue account in 2004/05		-13,114	
Movement in deferred contributions and Government grants		70,251	70,251
Total increase in amount set aside to finance capital investment			
Total movement on reserve in 2004/05	6,642	70,251	76,893
Balance brought forward on 1 April 2004	265,778	209,753	
Balance carried forward on 31 March 2005	272,420	280,004	

Both the capital financing account and the deferred contributions and Government grants account represent amounts applied to finance capital expenditure. Therefore neither is a cash-backed reserve.

Cash flow statement

2003/04	2004/05	£'000	£'000
Revenue activities			
Cash outflows			
Cash paid to and on behalf of employees	738,351		775,091
Other operating costs	536,860		541,614
	1,275,211		1,316,705
Cash inflows			
Rents	-3,769		-4,346
Precepts	-401,219		-402,458
National business rates	-332,574		-313,904
Revenue support grant	-295,397		-332,926
Collection fund surpluses	-2,915		-2,987
Charges for goods and services	-72,855		-77,186
Specific Government grants	-155,841		-172,468
Other income	-93,184		-80,591
	-1,357,754		-1,386,866
Net cash inflow from revenue activities (note 1)	-82,543		-70,161
Returns on investments and servicing of finance			
Cash outflows - Interest paid	14,051		14,652
Cash inflows - Interest received	-3,025		-3,009
Net cash outflow from servicing of finance activities	11,026		11,643
Capital Activities			
Cash outflows			
Fixed assets	139,463		181,796
Deferred charges	13,522		17,077
	152,985		198,873
Cash inflows			
Sale of fixed assets	-16,508		-18,817
Capital grants (note 2)	-34,550		-41,972
Other income	-23,112		-55,087
	-74,170		-115,876
Net cash outflow from capital activities	78,815		82,997
Net cash outflow before financing (notes 3 and 4)	7,298		24,479
Financing			
Borrowing repayable over periods of one year or more			
Repayments	4,000		8,000
New loans	-34,000		-39,000
Borrowing repayable within one year			
Repayments	427,132		412,361
New loans	-439,603		-438,415
Net cash inflow	-35,173		-32,575

I Reconciliation of Consolidated Revenue
Account surplus to net cash inflow from
revenue activities

Notes to cash flow statement

	2003/04 £'000	2004/05 £'000
Net surplus on the Consolidated Revenue Account	-5,483	-5,022
Net cash outflow from servicing of finance activities	-11,026	-11,643
Increase in stocks	356	495
Decrease in deposits	808	7
Variation in debtors	-479	6,472
Variation in long-term debtors	-849	-813
Increase in payments in advance	3,066	1,606
Increase in creditors	-9,678	-11,160
Decrease in receipts in advance	852	156
Decrease in provisions	72	3,279
Transfer to Hampshire Fire and Rescue Authority	490	-
Variation in other balances	-519	-62
	-5,881	-20
Non-cash transactions		
Transfers from reserves	-4,780	-9,205
Variation in doubtful debts provision	22	-447
Interest on developers' contributions	-871	-1,122
Provision for loan and lease repayments	-16,637	-18,457
Contribution to capital outlay	-37,887	-24,245
	-60,153	-53,476
Net cash inflow from revenue activities	-82,543	-70,161

2 Analysis of capital grants

(Revenue grants are analysed in the Consolidated Revenue Account)

	2003/04 £'000	2004/05 £'000
Capital grants		
Department for Education and Skills	32,065	35,923
Department for Constitutional Affairs	255	319
Department of Health	1,280	696
Department for Transport	52	3,867
Office of the Deputy Prime Minister	898	1,004
Other Bodies	-	163
	34,550	41,972

3 Movement in net debt

	at 1 April 2004 £'000	at 31 March 2005 £'000	Movement in the year £'000
Cash			
Cash in hand	9,419	6,703	-2,716
Cash overdrawn	-12,229	-19,753	-7,524
Investments	65,395	108,210	42,815
Cash inflow	62,585	95,160	32,575
Financing			
Borrowing repayable within one year	-95,488	-117,542	-22,054
Long-term borrowing	-208,000	-243,000	-35,000
Total borrowing	-303,488	-360,542	-57,054
Net debt	-240,903	-265,382	-24,479

4 Reconciliation of movement in net debt to cash flow statement

	2003/04 £'000	2004/05 £'000
Cash inflow	35,173	32,575
Repayment of amount borrowed	4,000	8,000
New loans	-34,000	-39,000
Net increase in temporary borrowing	-12,471	-26,054
	-7,298	-24,479

Pension Fund accounts

Revenue Account	See note	2003/04 £'000	2004/05 £'000
Contributions and benefits			
Contributions from:			
- employees		37,367	40,129
- employers		81,314	90,889
Transfer values received		18,163	16,776
		136,844	147,794
Benefits payable:			
Pensions		81,967	84,930
Lump sum benefits		13,627	15,366
Transfer values paid		14,965	12,389
Refunds of contributions		563	546
Contributions equivalent premium		300	215
Administrative expenses	4	1,279	1,555
		112,701	115,001
Net additions from dealings with members		24,143	32,793
Returns on investments			
Investment income	5	52,584	60,664
Commission and other income		84	45
Change in market value of investments:			
- realised		1,377	73,057
- unrealised		302,061	71,622
Gross return on investments		356,106	205,388
Investment management expenses	4	-3,754	-3,922
Net return on investments		352,352	201,466
Total change in market value of fund		376,495	234,259
Opening net assets of the scheme		1,548,640	1,925,135
Closing net assets of the scheme		1,925,135	2,159,394
		376,495	234,259

Pension
Fund
accounts

Hampshire
pension fund
accounts
continued

Net assets statement

		31 March	
	See Note	2004 £'000	2005 £'000
Investments at market value			
UK fixed-interest bonds		28,810	10,209
UK index-linked bonds		216,145	248,819
UK equities	7, 10	733,089	861,063
North American equities		102,350	109,746
Japan equities		96,880	99,820
Europe equities		164,249	186,098
Other overseas equities		21,379	23,652
Unit trusts	8	389,390	409,950
Property		70,840	86,335
		1,823,132	2,035,692
Cash temporarily invested with Hampshire County Council		51,204	77,883
Cash held by external investment managers		35,431	28,521
		1,909,767	2,142,096
Current assets			
Debtors		17,464	19,674
Less: current liabilities			
Creditors		-2,096	-2,376
Net current assets		15,368	17,298
Net assets – balance of fund		1,925,135	2,159,394
Reconciliation of net movement of assets of the fund			
Opening net assets		1,548,640	1,925,135
Net income available for investment:			
- net additions from dealings with members		24,143	32,793
- investment income less expenses		48,914	56,787
Revenue surplus		73,057	89,580
Change in market value of investments		303,438	144,679
Closing net assets		1,925,135	2,159,394

1 Operations and management

The Hampshire Pension Fund covers employees of Hampshire County Council, Portsmouth and Southampton City Councils and all district councils in Hampshire, except teachers, for whom separate arrangements apply. It also covers other scheduled and admitted 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 2004/05 employees contributed £40.1m and employers £90.9m to the Fund. Contributions are calculated as a percentage of salary. 23,586 people were receiving pensions from the Fund at 31 March 2005.

During the year the Fund's investments were managed by three companies based in London:

- Deutsche Asset Management Limited
- Schroder Investment Management
- SG Asset Management.

There is also a property portfolio managed by Cordea Savills, Chartered Surveyors.

The Pension Fund Panel directs the management of the Fund. Following the elections in May 2005, this now consists of nine county councillors. There is also a representative of the two city unitary authorities (Portsmouth and Southampton), and a representative of the 11 district councils and other employers in Hampshire co-opted to the Panel. Both these representatives have full voting rights. Two representatives of the Fund's pensioners and contributors are co-opted to the Panel, also with full voting rights. An independent adviser also attends Panel meetings. The Panel meets the managers twice a year to discuss performance and approve their management strategies.

2 Accounting policies

Accounting standards

The accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) 1 on Pension Scheme Accounts, and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy. The accounts summarise the transactions and net assets of the Fund. They do not take account of future liabilities to pay pensions and other benefits. See note 3 for the actuarial position of the Fund, which does take account of such liabilities.

Basis of preparation

Income and expenditure are generally credited and debited to the revenue 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 as recommended in the SORP.

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 SETS last traded price
- other listed securities and securities on other domestic markets - mid-market price at the close of business on 31 March 2005
- unlisted securities - using latest dealings, professional valuations, asset values and other appropriate financial information
- investments held in overseas securities - mid-market price at the close of dealing on 31 March 2005 translated into sterling at the rate that day
- the UK property portfolio - open market value at 31 March 2005 as estimated by the Fund's property advisers.

Acquisition costs

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

3 Actuarial position

Investment policy for the Fund is to maximise the growth in its value and to ensure that its future liabilities can be met while keeping employers' contribution rates stable.

The actuary completed a valuation of the Fund at 31 March 2004 during 2004/05. The actuary calculated that a phased increase in the employers' contributions rates paid by both scheduled and admitted bodies would be needed to meet the Fund's long-term liabilities. The rate paid by scheduled bodies in 2004/05 was 225%, and will rise to 250% in 2005/06, 275% in 2006/07, and 295% in 2007/08. The rate paid by admitted bodies in 2004/05 was 210%, and will rise to 240% in 2005/06, 265% in 2006/07, and 295% in 2007/08.

The next actuarial valuation of the Fund is due to take place as at 31 March 2007.

4 Administrative and investment management expenses

The figures in the revenue accounts are broken down in the following table:

	2003/04 £'000	2004/05 £'000
Administrative expenses		
Pension administration costs and other overheads	1,203	1,396
Office and other administrative expenses	76	159
	1,279	1,555
Investment management expenses		
Investment management expenses	3,048	3,290
Property manager's expenses	425	240
Actuary's and other fees	281	392
	3,754	3,922

5 Income from investments

The figures in the revenue account are broken down in the following table:

	2003/04 £'000	2004/05 £'000
UK bonds	10,873	12,056
UK equities	27,062	30,499
Overseas bonds	17	14
Overseas equities	8,547	12,618
Property	6,127	4,986
Interest on cash holdings	3,104	4,233
Less irrecoverable tax	-3,146	-3,742
	52,584	60,664

6 Investment returns

The return on the Fund in 2004/05 (as measured by Russell Mellon) was 10.7%.

In the three years to 31 March 2005 a return of 3.2% a year was achieved.

7 Ten largest UK equity holdings

At 31 March 2005 the ten largest UK equity (company share) holdings by market value were as follows:

	£'000
Vodafone Group plc	63,959
BP plc	55,605
HSBC Holdings plc	53,389
GlaxoSmithKline plc	47,738
Shell Transport and Trading plc	43,360
Royal Bank of Scotland Group plc	39,021
Prudential plc	19,554
Barclays plc	18,380
Rio Tinto plc	16,819
AstraZeneca plc	15,817

8 Five largest unit trust holdings

At 31 March 2005 the five largest unit trust holdings were as follows:

	£'000
Deutsche Funds index-linked Bond Fund	92,728
Schroder North American Equity Fund	62,037
Deutsche Fixed Income Sterling Credit Fund	53,288
Schroder Unit Trusts All Maturities Corporate Bond Fund	35,538
Deutsche Investment Funds MG Sterling Bond Fund	33,982

9 Concentration of investments

During the year, no individual investment reached 10% of the value of the net assets of the Fund.

10 Analysis of UK equity investments by industrial sector

	£'000
Resources (mining, oil and gas)	132,628
Basic industries (chemicals, construction, forestry, steel)	29,374
General industries (aerospace, defence, electronics, engineering)	27,830
Cyclical consumer goods (vehicles, household goods)	2,495
Non-cyclical consumer goods (beverages, food, health, pharmaceuticals)	130,848
Cyclical services (general retailers, leisure, media, restaurants)	148,758
Non-cyclical services (food retailers, telecommunications)	111,423
Utilities	21,131
Information technology	12,904
Financials	243,672
	861,063

11 Unlisted investments

The Fund held no unlisted investments.

12 Investment transactions

	Market value at 1 April 2004 £'000	Purchases £'000	Sales £'000	Change in value £'000	Market value at 31 March 2005 £'000
UK fixed interest bonds	28,810	82,647	-101,385	137	10,209
UK index-linked bonds	216,145	191,913	-166,583	7,344	248,819
UK equities	733,089	225,193	-183,965	86,746	861,063
North American equities	102,350	70,447	-68,156	5,105	109,746
Japan equities	96,880	55,653	-47,799	-4,914	99,820
Europe equities	164,249	105,640	-109,901	26,110	186,098
Other overseas equities	21,379	18,022	-19,401	3,652	23,652
Unit trusts	389,390	246,377	-238,737	12,920	409,950
Property	70,840	7,950	-	7,545	86,335
	1,823,132	1,003,842	-935,927	144,645	2,035,692

The equivalent figures for purchases and sales in 2003/04 were £1,042.3m and £960.8m.

13 Contingent liabilities

The Fund had no contingent liabilities at 31 March 2005.

14 Capital commitments

The Fund had no capital commitments at 31 March 2005.

15 Property

All the Fund's property is held as freehold.

16 Independent property valuer

In December each year the properties in the UK property portfolio are independently valued by Montagu Evans, Chartered Surveyors.

17 Rent reviews

All properties held in the UK property portfolio are subject to upward-only rent reviews every five years.

18 Pension Fund Annual report

Further information on the Fund's actuarial valuation, investment management arrangements and Statement of Investment Principles are contained in the Hampshire Pension Fund's Annual Report. A copy may be obtained on request from Dave Wilson, Principal Accountant, Corporate Finance, Hampshire County Council, The Castle, Winchester SO23 8UB.

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.
Asset management revenue account	An account under the system of capital accounting that allows the cost of services to include the cost of the use of assets. The account brings together charges to services and actual financing charges incurred. The difference between them is a negative item in the Consolidated Revenue Account. This means that the charge for the use of assets does not affect the amount that has to be raised from local taxation.
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.
Balances	The accumulated excess of income over expenditure in the Consolidated Revenue Account. This balance is needed as a cushion against unforeseen expenditure.
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 charges	Charges made to services for the use of fixed assets in providing the service.
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 financing account	An account that reflects the extent to which fixed assets have been financed from revenue contributions or capital receipts and the provision for the repayment of external loans.
Capital programme	A list of capital projects approved to start in a specified financial year.
Capital receipt	Proceeds from the sale of capital assets (eg 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 County 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 Performance Assessment (CPA)	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 apportioned over 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.

Glossary *continued*

Council tax benefit contribution	A contribution that councils are obliged to make towards the cost of council tax benefit payments in their area if they increase their council tax or budget by more than an amount determined by the Government.
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.
Debtor	An individual or body that owes money to the Council at the balance sheet date.
Deferred charge	Expenditure which may properly be capitalised and so deferred but which does not result in the creation of a fixed asset in the Council's books. The Council's general policy is to write off deferred charges in the year in which they were incurred.
Deferred contributions and Government grant account	An account that reflects 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 his or her length of service and final salary.
Deposit	Receipt held that is repayable in prescribed circumstances.
Depreciated replacement cost	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.
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.

Doubtful debt	A debt that the Council is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.
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.
Exceptional item	An item identified separately in the accounts because of its exceptional nature to make sure the presentation of the accounts is fair.
Financial Reporting Standard (FRS)	Accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.
Finance lease	Under this type of lease, the organisation paying the lease is treated as if it owns the goods. It gains the profits that would come with ownership but it also suffers the losses (see operational leases).
Fixed asset restatement account	The account created to allow assets to be included in the accounts at their current value.
Fixed asset	A tangible asset that yields benefits to the local authority and the services it provides for a period of more than one year.
Formula Spending Share (FSS)	The Government view of the Council's expenditure "needs" for grant distribution purposes based on a national formula.
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 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 revenue expenditure	The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.
Historical cost	The amount originally paid for a fixed asset.

Glossary *continued*

Impairment loss	A loss arising from an event that significantly reduces an asset's value. Examples are physical damage or a significant decline in the asset's market value during the year.
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.
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 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	Expenditure net of income but before allowing for contributions to and from reserves, revenue financing of capital and provision for debt repayment.
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-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).
Payment in advance	A payment for a service due to be received in a future financial year.
Precept	The demand made by the County Council on the collection funds maintained by the district councils for council taxpayers contribution to its services.
Provisions	An estimated figure within the accounts for liabilities that are known to exist, but that 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.
Reserve	The Council's reserves fall into two categories. The "unearmarked" reserve is the consolidated revenue account balances. 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.
Revenue contributions to expenditure	The use of revenue funds to finance capital 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.

Glossary *continued*

Short-term investments	An investment that is readily realisable.
Specific grants	Central Government grants to finance a particular service.
Statement of Standard Accounting Practice (SSAP)	Accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.
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. Ringfence 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 County Council wishes.
Transfer value	The value of an employee's pension rights which can be transferred from one pension scheme to another.
Transferred debt	Debt serviced by bodies that are independent of the Council following the transfer of services formally provided by the Council.
Trust fund	A fund set up under a trust deed in which the Council is a trustee.
Unapportionable overheads	Overheads from which no service user benefits and which therefore are not apportioned over services. An example is the extra pension costs caused by early retirement.
Undischarged obligations	Spending that the Council has committed itself to but that will be incurred 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 consolidated revenue account.