Hampshire County Council

Statement of Accounts

2021/22

Contents

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Narrative Report

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of Hampshire, Council Members, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the County Council and the outturn position for 2021/22;
- Have confidence that the public money with which the County Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that financial management of the County Council is strong and focused on supporting the continued delivery of services in a challenging economic and demographic context.

The style and format of the accounts complies with CIPFA standards and is broadly similar to that of previous years. The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Hampshire County Council are, by their nature, both technical and complex.

This Narrative Report has been structured to help enable readers to understand the County Council, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The report provides information about Hampshire, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2022 and is structured as set out below:

- Statement from the Leader of Hampshire County Council
- Introduction from the Chief Financial Officer
- An Introduction to Hampshire
- The County Council's Non-Financial Performance
- Financial Performance of the County Council 2021/22
- Corporate Risks
- Summary Position
- Where you can get Further Information

This is followed by an explanation of the Financial Statements, including information on changes during 2021/22.

Statement from the Leader of Hampshire County Council

"As Leader of the County Council, I am delighted to be able to present to you the Statement of Accounts for 2021/22. The County Council has always had a strong track record of financial management and continued strong leadership and stewardship of the County Council's finances has put us in the best possible position in which we find ourselves today."

"The Coronavirus pandemic continued to present major challenges for Council services over the 2021/22 year as we worked to secure Hampshire's recovery from the pandemic. The Council has played a crucial role supporting the health and care sector in managing the continued risk of Covid-19 outbreaks and alleviating pressure on acute care settings through supporting hospital discharge routes. Our staff have managed surging demand across all services as the county has transitioned out of lockdown, from Social Care to our valued recreational and cultural services."

"The financial impact of the pandemic has been significant and will continue to be felt in the years to come. The Council set aside significant local resources to supplement the financial support provided by the Government and NHS England which has allowed us to meet the costs and losses resulting from the pandemic in 2021/22. However, the on-going financial impact remains difficult to predict. The County Council will continue with its careful financial management and robust financial monitoring with the aim of achieving on-going financial sustainability."

"Since the previous financial crisis in 2008, we have worked diligently to stretch every penny – delivering savings, reinvesting in new, more efficient ways of working, making prudent use of our reserves, and delivering more with less. Residents have told us they support this approach, and it has proven effective – and by April 2022 we will have removed savings totalling £560 million from the budget."

"This has only been possible due to our scale, capacity, financial resources and strong leadership. We have planned well ahead of time to implement the necessary savings to balance the budget and have used our reserves wisely to support the continuing significant change programme across the Authority and to ensure we have adequate time to implement changes properly and safely in order to minimise the impact on residents wherever possible."

"The financial information contained in this Narrative Report and the accounts themselves once again serve to highlight the continuing strength and success of this great County but the financial costs and consequences of the Coronavirus outbreak, and the impact this is likely to have on the County Council's savings programmes and income will present a unique challenge."

Councillor Rob Humby – Leader of Hampshire County Council

Introduction from the Chief Financial Officer

The Statement of Accounts for 2021/22 draws to a close another challenging but successful financial year for the County Council. Continued monitoring of the financial consequences of the pandemic and use of our locally funded Covid-19 response package has ensured strong financial performance of the business as usual services of the County Council. With significant underlying cost and demand pressures on services set to continue, coupled with the challenge of rising inflation, this strong financial outcome provides an essential foundation to achieving financial sustainability going forwards.

When reading this Narrative Report and the Statement of Accounts it should be noted that they were prepared to meet the County Council's statutory obligation to publish draft accounts ready for public inspection by 31 July 2022. However, whilst this requirement was fulfilled, the conclusion of the audit of these accounts has been delayed until September 2023 primarily due to two technical accounting issues that have arisen nationally and are not specific to the County Council's accounts.

This Narrative Report is designed to help readers better understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts themselves.

It contains background information about the County Council and outlines some of the key financial issues in areas such as revenue and capital spending, reserves and treasury management. As Chief Financial Officer to the County Council I also have responsibility for the Pension Fund and further information is provided to help explain the current position on the Fund and its investments.

Whilst the Statement of Accounts is backward looking it is also important to acknowledge the Coronavirus outbreak and the financial implications of the crisis on the County Council's own budgets and financial planning which continue to be profound.

The accounts themselves are very complex and technical in nature, but I hope you will take the time to look through them and in particular, read the Narrative Report which provides an excellent summary of what has happened during the financial year and outlines the financial standing of the County Council as at 31 March 2022.

If you would like more information on the accounts or have any questions on the content contact information is contained within this Narrative Report.

Rob Carr CPFA
Director of Corporate Operations

An Introduction to Hampshire

Hampshire is notable for housing the birthplaces of the Royal Navy, British Army and the Royal Air Force. It is bordered by Dorset to the west, Wiltshire to the north-west, Berkshire to the north, Surrey to the north-east, and West Sussex to the east. The southern boundary includes Portsmouth and Southampton and the coastline of the English Channel and the Solent, facing the Isle of Wight. Hampshire is in the top ten of the largest counties by land area (covering approximately 1,400 square miles).

Hampshire County Council is one of three local authorities in Hampshire (along with Portsmouth City Council and Southampton City Council) that provide ‘upper tier’ services, such as social care and education to residents of the county. In addition, there are 11 district councils and over 260 parish and town councils providing a range of services to businesses and residents.

The county also contains two national parks; the first covering the New Forest, and therefore governance of this area is carried out by a national park authority as well as New Forest District Council, the second is the national park for the South Downs which covers the chalk downlands from Winchester eastwards which embraces a large number of local council areas across three counties, Hampshire, West Sussex and East Sussex.

Key Facts about Hampshire

There are a number of factors which affect the County Council’s services and its finances. Detailed below are some of the key facts and figures having a major impact on the Authority’s financial position in both the short and medium-term and further detail is available on the web describing the environment in which the County Council operates:

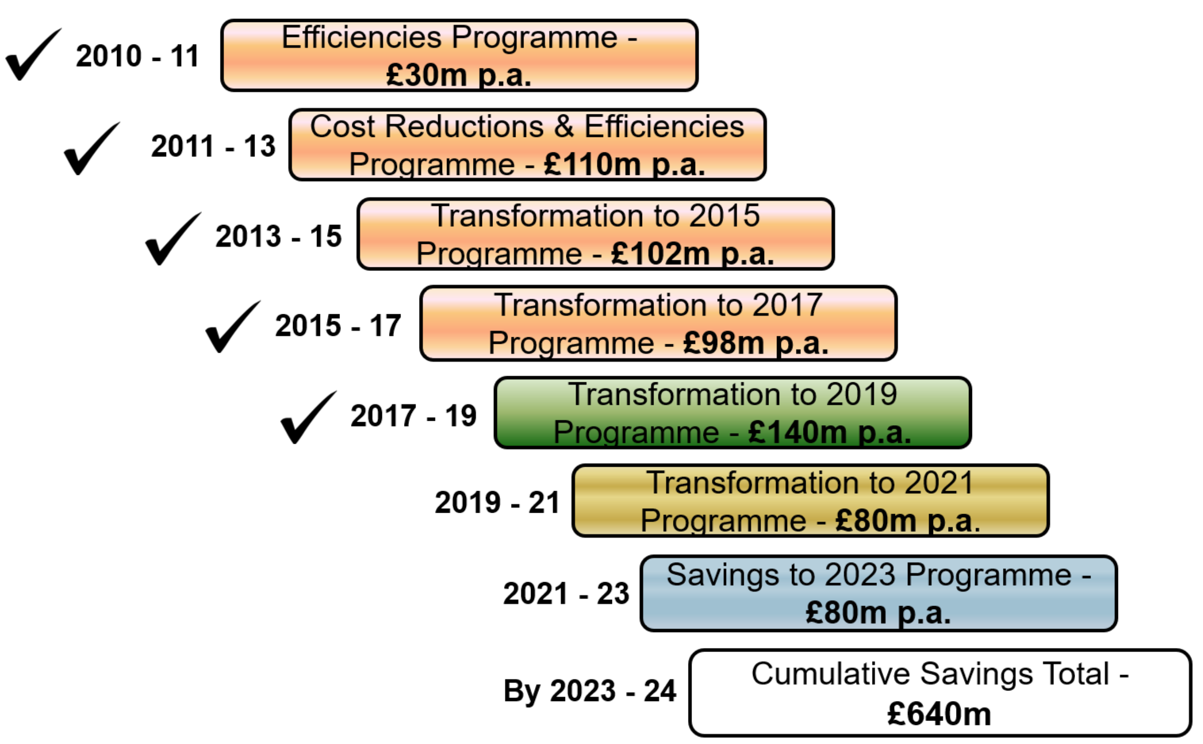
Hampshire-facts-figures-Economy-and-infrastructure.pdf (hants.gov.uk)

The County Council is responsible for 8,000km of road, 2,000+ road bridges, 150,000 street lights and 7,000km of footpaths.	The population of Hampshire is forecast to increase from 1,419,330 in 2021 to 1,502,980 in 2028, which is a 5.9% increase.	The Hampshire (county) economy is worth approximately £38.1 billion and contributes 14% to the South East's economy.
Hampshire (county) has 72,500 businesses and an employment rate of 80%, well above UK rate (75.8%).	545,000 households, of which 71% are owner-occupied (2011 Census).	138,000 pupils are taught in 474 maintained schools with an additional 38,000 taught in 52 academy schools
85% of Hampshire is defined as rural and over a third of the county's area is within National Parks or Areas of Outstanding Natural Beauty.	The number of homes in Hampshire is forecast to increase 7.6% (46,450 additional homes) by 2028, up from 615,200 homes in 2021.	Tourism generates almost £3 billion to the Hampshire economy. Hampshire is visted by 4.5 million staying visitors and 52 million day visitors each year.
Hampshire has more cars than any other county and two-thirds of commuters in Hampshire travel by car (2011 Census).	In 2021, 18.4% of Hampshire's population was aged 0-15, with 59.3% aged 16-64 and 22.3% aged 65+. By 2028 the percentage of Hampshire's population aged 65+ is forecast to have increased to 24.4%	The rural economy is worth an estimated £8.3 billion, or 17% of the overall Hampshire economy, with the agricultural industry worth £0.3 billion

Hampshire County Council is responsible for more than 80% of spend on council services in Hampshire and provides a wide range of services which make a difference to residents' lives on a daily basis, including education, transport, planning, social care, libraries, waste management and trading standards.

As the County Council continues with the delivery of its latest savings programme for implementation from April 2023 (SP2023) – alongside the remaining elements of its Transformation Programmes to 2019 (Tt2019) and 2021 (Tt2021), the need for a robust, strategic narrative is crucial. Central Government has reduced the amount of funding it gives to the County Council and at the same time, demand for County Council services is increasing. As a result, the County Council's budget for 2021/22 included a further £80m of savings – bringing the Authority's cumulative spending reductions to over half a billion pounds (see Figure 1 overleaf). Even without the financial consequences of the Coronavirus pandemic, the medium-term financial forecast identifies on-going pressure of around £50m every year with strong indications this will increase further.

Figure 1. – Cost Reduction Exercises Including SP2023 Programme Requirement



Note: The cumulative figure is made up of inflation, demand and reduced grant

Our Strategic Plan

In this context, the County Council requires a strategic narrative that will support the Authority to make tough, but necessary, choices about future services. The 'Serving Hampshire - Strategic Plan 2021 – 2025' is intended to guide decision-making to ensure that Hampshire taxpayers' money is targeted where it is needed most, and where it can make the most impact. The Strategic Plan is informed, and underpinned, by various, more detailed departmental plans, including: The Children's and Young People's Plan, Adults' Health and Care Service's vision, the Public Health Strategy, the Climate Change Strategy, and the COVID-19 Recovery Plan. The Strategic Plan covers the period of 2021-2025, reflecting the term of office for the new administration.

Hampshire County Council is one of the country's leading local authorities, with many services rated as 'excellent' and the Authority's ambition is to continue to transform and shape services for the future, in line with the Authority's evolving financial strategy. This means doing things more efficiently and providing high quality, responsive services that meet the needs of our customers and improve the quality of life for the residents of Hampshire.

Our plan to achieve this focuses on four strategic aims, which bring together a number of priorities under the following themes, to form the overarching framework for our services:

- **Hampshire maintains strong and sustainable economic growth and prosperity** – The first strategic aim relates to Hampshire's future economic growth and prosperity. This is of strategic importance because Hampshire's economic success underpins a number of other positive outcomes for Hampshire's residents and communities.
- **People in Hampshire live safe, healthy and independent lives** – The second strategic aim is about supporting people to live safe, healthy and independent lives by focusing the County Council's resources where they are needed most.
- **Hampshire enjoys a rich and diverse environment** – The third strategic outcome provides a strong alignment to the County Council's key corporate programmes relating to climate change and place shaping – the review of the Strategic Plan for 2021-2025 now provides the opportunity to ensure these areas of work are overtly embedded in the County Council's strategic vision.
- **Hampshire enjoys strong, inclusive communities** – This strategic aim is about recognising the resources, skills and strengths that exist in local communities and that, when utilised, can help reduce the demand and dependency on County Council services.

Reductions in central funding to councils combined with rising demand for care services mean that our corporate strategy and medium-term financial plan focus on targeting resources at the most vulnerable people while becoming more efficient in the delivery of our services. The County Council recognises that its ability to continue to deliver front line services will depend on its capacity to generate new funding streams, streamline the way that residents access services and support and encourage self-sufficiency, whilst protecting the most vulnerable.

As a result, the County Council has had to make some tough decisions and whilst service improvement remains at the heart of everything the County Council does, increasingly services will be targeted at those who most depend on them – particularly children at risk of abuse and neglect, and adults who cannot look after themselves.

Looking Beyond 2022

One of the statutory obligations of the Chief Financial Officer is to keep the financial position of Hampshire County Council under review and to ensure that budgets set are realistic and deliverable whilst also ensuring that reserves are adequate.

The County Council reviews its budgetary position annually and produces a rolling three year plan, known as the Medium-Term Financial Strategy (MTFS). This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy.

The County Council's MTFS was updated and approved by the County Council in November 2021 (Agenda Item 44). The report set out the medium-term prospects for the County Council's finances to the end of 2023/24 in the context of an emerging 'new normal' in the wake of the Covid-19 pandemic and a long awaited three year spending review that provided some additional funding for 2022/23, but a flat cash position for the following two years despite continuing forecasts of increasing demand for services. The focus of the medium term financial strategy was a further savings requirement of £80m per annum from April 2023 (SP2023).

Despite the three year spending review, only a one year settlement for 2022/23 was announced in December 2021 and disappointingly this reduced the adult social care precept to only 1% per annum for the next 3 years. Whilst the settlement provided an additional £22.9m of general resources to the County Council next year, it is not enough to close the budget gap and much of this funding is already accounted for from 2023/24 onwards as part of the SP2023 proposals.

Since reporting the MTFS in November 2021, the demand for adult and children's social care is continuing to increase together with an increase in the cost of care provision especially for older adults. The rising rate of inflation is also adding pressure to an already challenging financial position. The County Council's budget report in February 2022 forecasts a cumulative deficit by 2025/26 of some £157m after we have delivered £80m of savings by 2023/24. This is nearly double the two year target we have been working to since 2019/20 and represents the most significant challenge yet to the County Council's financial sustainability. A revised MTFS will be presented to the Cabinet and County Council in the Summer.

The Capital Programme originally approved as part of budget setting for 2021/22 delivers schemes totalling £418m over the three years from 2021/22 to 2023/24. It planned to provide the following:

- £68m of investment in new and extended school buildings in Hampshire in the period 2021/22 to 2023/24 to ensure there is a school place for every child in Hampshire
- £118m for structural maintenance and improvement of roads and bridges in Hampshire over the next three years
- £91 million for integrated transport schemes including £18m specifically focused on walking and cycling improvements
- £141m for major improvement of school and other County Council buildings over the next three years
- £33 million for decarbonisation schemes covering solar PV, single to double glazing window replacements, transition from oil to gas and the implementation of heating controls.

The Treasury Management Strategy over the period will continue to build on existing policies and practices, in particular protecting investment capital during this time of great uncertainty. With a balance on reserves of £883m at the end of 2021/22, the County Council can also conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer-term view to investments where appropriate, enabling greater returns to be made in support of the revenue budget.

The County Council's financial forecast for 2022/23 has been reviewed alongside assumptions for 2023/24 and a prudent profile of cashflows to support the Chief

Financial Officer in assessing and confirming the County Council's financial sustainability to March 2025 in preparing the Statement of Accounts. The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that County Council can meet its operational obligations over the period, with the option to sell longer-term investments and make use of its borrowing headroom as a short-term solution to any unforeseen liquidity pressures, although this would have an impact on the longer-term financial sustainability of the County Council.

Ongoing uncertainty around the future of key funding streams for local government coupled with significant growth in demand for services, particularly with respect to adults' and children's social care, and uncertainty over the medium-term impact of Covid-19 does, however, mean that the County Council is dependent on external change to remain financially sustainable beyond this time.

Key Facts about Hampshire County Council

All of the factors in the section above help to shape the County Council's priorities and provide a challenging environment for the organisation to operate in, potentially increasing demand on services and impacting the funding available to meet these demands. Charged with directing the outcomes, priorities and policies of the County Council are the Councillors who are elected every four years.

The County Council's role is to act strategically and implement policy as determined by Cabinet. This means delivering services to the people of Hampshire (and sometimes beyond) in an open and cost-effective way. Hampshire County Council acts in the best interests of Hampshire and its residents.

The County Council has 78 Councillors (also known as Members) who decide the budgets and policies for the vital local services provided by Hampshire County Council and following local government elections in May 2021 the political composition changed as follows:

- 55 Conservative (previously 56)
- 17 Liberal Democrats (previously 19)
- 3 Labour Party (previously 2)
- 3 Independent (previously 1)

The turnout for the 2021 County Council elections was 38% of the electorate.

Under the County Council's Constitution, the Authority manages its affairs by way of a Leader with Cabinet model. The Leader is appointed by the County Council and they in turn appoint the Cabinet.

Supporting the work of the elected members is the Corporate Management Team (CMT). CMT work with, and for, the Leader and Cabinet to maximise the capacity and effectiveness of the organisation, in order to protect and build strong, sustainable public services that improve the quality of life for the people of Hampshire. The current composition of CMT is detailed below. Note 8b shows the further detail of people that have been in a strategic post during 2021/22:

- Chief Executive – Carolyn Williamson (FCPFA)
- Director of Adults' Health and Care – Graham Allen
- Director of HR, Organisational Development, Communications and Engagement – Jac Broughton
- Director of Corporate Operations – Rob Carr
- Director of Children's Services – Steve Crocker (OBE)
- Director of Economy, Transport and Environment – Stuart Jarvis
- Director of Culture, Communities and Business Services – Felicity Roe

The role of CMT is to lead the officers who work for the County Council, provide the strategic overview for the work of the Council, and manage the many and varied operational services for which the Council is responsible.

At 31 March 2022, the County Council employed 38,066 people, making the County Council one of the largest employers in the county. Many of these employees work part-time. In full-time equivalent (FTE) terms, the total number of employees was 25,739 at 31 March 2022 as shown below:

Full-time equivalent employees	**March 2021**	**March 2022**
Adults' Health and Care	2,952	2,922
Children's Services - Schools	15,826	15,768
Children's Services - Non Schools	2,599	2,696
Economy, Transport and Environment	700	701
Culture, Communities and Business Services	2,150	2,158
Corporate Services	1,584	1,494
Total	25,811	25,739

The data is presented as a snapshot on the 31 March each year and shows a largely consistent picture year on year. The minor variations reflect business as usual staff turnover.

The County Council's Non-Financial Performance

In Hampshire, we are proud of our strong record of delivering excellent services that provide value for money. Over the last few years, we have risen to the challenge of national spending control with an ambitious programme of savings and modernisation, while striving to protect frontline services and reduce the impact on those in most need as far as possible.

The County Council's Performance Management Framework (PMF) provides the local governance structure for performance management and reporting to Cabinet. The PMF specifies that Cabinet receives bi-annual reports on the County Council's performance against the strategic priorities set out in the Serving Hampshire plan. Performance information on children's and adults' safeguarding, major change programmes, and the County Council's financial strategy are reported separately to Cabinet.

In order to report progress against the Serving Hampshire's Residents - Strategic Plan 2021 to 2025 departments are required to monitor service performance against a core set of measures which contribute toward achievement of the plan's four strategic outcomes. For each measure, a risk-based 'red, amber, green' rating is applied, informed by the most recent data and management information. Director's also provide a Performance Assessment to summarise each department's delivery of its priorities in relation to the Strategic Plan as well as the results of any recent external assessments.

Additionally, in support of the ongoing focus on external validation, the Hampshire Perspectives online residents' forum was launched in September 2020, with around 1,500 members of the public signed up to date. Forum members are invited to take part in short surveys, focus groups and consultations, helping to shape service delivery and aid evidence-based decision making.

At the end of 2021/22, the majority (81%) of measures were reported as low performance risk and the remainder (19%) as medium performance risk. No measures were identified as high risk. For all measures, 84% showed improved or maintained performance since the beginning of 2021/22. At the end of the first year of the four year plan, 43% of all performance targets had been met. The balance includes stretch targets reflecting the County Council's services' commitment to deliver ongoing service improvement over the 4-year period covered by the Serving Hampshire strategic plan.

Three measures showed poorer performance than in 2020/21 and failed to meet their target, in part due to impact of the pandemic. These include:

- Number of jobs created or safeguarded by businesses HCC has supported – 229 jobs were reported in 2021/22, compared with a target of 1,000
- Level of development contribution secured (total) – £40.3 million was secured in 2021/22, compared with a target of £46.2 million
- Condition of the principal highways network which should be considered for maintenance – 4% of highways were rated as requiring consideration for maintenance, compared with a target of 3%.

Additionally, the on-going impact of the pandemic meant that some measures, did not meet their targets for 2021/22, whilst demonstrating performance better than or similar to the previous year. This included uptake of school meals, participation in the National Child Measurement Programme and in person visits to libraries. Mitigation plans are already in place to support these areas.

Performance highlights for 2021/22 include:

- **Outcome one: Hampshire maintains strong and resilient economic growth and prosperity**
    - The County Council has seen 352 apprenticeships start within the Organisation in 2021/22, of which 205 were in the Council and 145 in schools. This represents an increase of 88 on 2020/21 and a near-return to pre-pandemic levels, bringing the total number of apprentices on the programme to 751 at the end of March 2022. The 87% retention rate of apprentices within the organisation is higher than the national average (59%) and has remained around this level for around five years, demonstrating the long-term return on investment. The rate of apprentices achieving their accreditations (66%) is also higher than the national average (58%).
    - In addition, the County Council manages an Apprenticeship Levy scheme that allows Hampshire businesses and public sector organisations to apply for funds to support their own apprenticeship schemes. £915,000 was paid from this scheme in 2021/22, funding 453 new apprenticeship starts at a value of £2.9 million within these organisations through the year.
    - The lengthening of the Eclipse Rapid Transit busway in Gosport was completed and opened in December 2021.
    - As part of measures to support businesses recover from the COVID pandemic, reducing economic impacts and encouraging Hampshire's economic growth, the County Council agreed to maintain contract payments for community transport operators at 100% from 1 April 2022 to 31 March 2023. This will assist operators in the recovery and operation of their services, as they continue to experience lower passenger numbers (currently 35% lower than before the COVID-19 pandemic) as user confidence returns.
- **Outcome two: People in Hampshire live safe, healthy, and independent lives**
    - Hampshire Children's Services and safeguarding partners (Hampshire Constabulary and pan-Hampshire Clinical Commissioning Groups) received positive feedback on continued strong performance in safeguarding children was received through a pilot Joint Targeted Area Inspection (JTAI) of 'Front Door' services in November 2021. The report highlighted that front door services deliver the support that Hampshire families need at the right time, as a result of the leadership

in Hampshire, the drive for continuous improvement, the focus on early help, and strong multi-agency working.

- As at the end of February 2022, 93.3% of Hampshire schools were judged to be 'good' or 'outstanding' by Ofsted.

- Just over 98% of parents were offered a reception year place for their child in one of their three preferred choice schools from September 2021, and just over 93% were allocated a place at their first choice of school, consistent with the performance in previous years.

- Food vouchers were provided during the school holidays to the children of vulnerable families affected by the pandemic. The COVID-19 Local Support Grant Scheme was organised through the 'Connect4communities' programme, which is led by Hampshire County Council, in collaboration with community partners. This scheme has now been further extended through 2022, to ensure that children in Hampshire eligible for free school meals, and other children deemed vulnerable by the Council, will have access to free healthy meals and enriching activities during the year's Easter, Summer and Christmas school holidays.

- Performance against the national indicator N14.1s (percentage of children's social care first assessment timeliness within 45 days) was consistently strong and above both national and south east averages.

- The first 'Independence Hub' opened in Alton in December 2021, offering post-16 education tailored specifically for young people with special education needs and disabilities (SEND). Three more Independence Hubs are planned to open over the coming two years, with an expectation that additional sites will also be identified.

- The *Call to Care* campaign took place, showcasing the careers available in social in Hampshire, as part of a strategic approach to addressing recruitment challenges in the sector.

- The release of CIPFA Public Library Stats for 2020/21 showed Hampshire Libraries to have the highest number of both physical and digital book issues and the highest number of visits of any county authority. A further 3.4 million physical books were issued in Hampshire libraries in 2021/22 whilst the number of eBooks issued in the same year (1.8 million) was more than double the number issued before the COVID-19 pandemic (869,081) in 2019/20.

- **Outcome three: People in Hampshire enjoy a rich and diverse environment**

  - Hampshire's first recycling road materials site opened in Micheldever in June 2021, allowing the Council to reuse road materials dug up during road maintenance operations to reduce CO_2 emissions by 67,500kg, and save £320,000 per year.

- A segregated walking and cycleway route between Brighton Hill Roundabout and Sullivan Road in Basingstoke was opened, following a public consultation on the scheme in early 2021 which indicated strong support for the development. The route will link directly into the other cycle routes that will be provided as part of the Brighton Hill Roundabout improvement scheme.

- A £150,000 grant scheme, funded from the Department for Travel’s Active Travel Fund, is allowing businesses to develop cycle facilities to support cycling as a means of commuting to work.

- Visitor Figures and Membership totals at Sir Harold Hillier Gardens exceeded pre-COVID figures. As at the end of 2021/22, bookings for educational and General Events showed a positive trajectory and conferences were returning to Jermyn's House. A new shelter has been installed at the pond and new play equipment has been installed at the Education Garden.

- All Hampshire Country Parks were awarded a Green Flag in 2021. Additionally, Royal Victoria Country Park and Staunton Country Park were awarded the Green Heritage Award in October 2021.

- The Barn at River Hamble Country Park opened to the public in March 2022. This new eco-friendly visitor centre and café has been built using climate friendly materials (many harvested from the same park) and features a solar panelled roof linked to Tesla batteries.

- **Outcome four: People in Hampshire enjoy being part of strong, inclusive, resilient communities**

  - The County Council continued to support Government programmes to resettle Afghan refugees following the withdrawal of UK troops from Afghanistan, including intensive support for refugees who have been temporarily accommodated in ‘bridging hotels’ before finding longer-term accommodation. At the end of 2021/22 the Council was supporting 3 bridging hotels in the area and had successfully supported the resettlement of 31 Afghan refugee families into longer-term Hampshire accommodation through this work.

  - Work to assist Ukrainian refugees arriving in Hampshire under the Government’s Homes for Ukraine scheme began in early Spring 2022. Initial work involved conducting safeguarding and wellbeing checks via home visits, distributing Government-funded financial support, and ensuring timely information was shared with guests and sponsors - including helping to inform guests on how they could access healthcare and educational services.

  - Following the Balancing the Budget consultation in June 2021, the County Council has undertaken a number of public consultations to give residents and stakeholders an opportunity to have their say on Savings Programme 2023 (SP23) targets and how the Council could address its budget shortfall while continuing to deliver high quality services.

- Hampshire Hive' launched during Foster Care Fortnight in May 2021. This is a new support network for foster carers and the children they look after which aims to create an 'extended family' for fostering households.

- The Fostering Hampshire Children Winter Campaign has been shortlisted for Best Public Awareness Cause Campaign, to be awarded in Summer 2022. The campaign used an animated video, designed, and developed in-house by the County Council, to encourage Hampshire residents to provide a home to Hampshire children who are unable to live with their birth families.

- The County Council invested £515,000 to refurbish the Winchester Discovery Centre, with additional funding provided by Arts Council England and Hampshire Cultural Trust. The funding helped to improve library and gallery facilities, as well as updating the facilities at the site, as part of an agreement with Hampshire Cultural Trust to improve the financial sustainability of the building over the longer term. The refurbished site, named the 'Arc', formally re-opened in March 2022 with a visit from HRH The Prince of Wales.

- The *Bringing the library to you* campaign, developed by the County Council to promote the use of library services at home, successfully encouraged a sense of online community and connectedness and was awarded the CILIP Marketing Excellence Award in 2021.

The Getting Going Again Fund of £950,000 was approved by the Council, to support Hampshire residents who have been classed as Clinically Extremely Vulnerable (CEV) or Clinically Vulnerable (CV) to re-engage with their local communities and focus on the post COVID-19 future, by helping people to safely start accessing their local communities again and return to more normal ways of life.

A more extensive list of key performance achievements, including external recognition and awards is included in the Serving Hampshire - 2021/22 Performance Report presented to Cabinet on 19 July 2022.

The County Council's Financial Performance

Revenue Position

The current financial strategy that the County Council operates, works on the basis of a two-year cycle of delivering departmental savings to close the anticipated budget gap, providing the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Budget Bridging Reserve (BBR), formerly known as the Grant Equalisation Reserve (GER).

This strategy has served the County Council, and more particularly, its services and communities well. It is an approach that has ensured Hampshire County Council has avoided the worst effects of funding reductions in recent years that have adversely affected other local authorities.

In line with the medium-term financial strategy, savings targets for 2021/22 were approved by the County Council approved in July 2018 and detailed savings proposals were developed through the Tt2021 Programme and approved by Executive Members, Cabinet and County Council in October and November 2019. Given this position, no new savings proposals were presented as part of the 2021/22 budget setting process and the Tt2021 Programme was to achieve savings of £80m which were incorporated into the revenue budget.

The anticipated delay in the delivery of some elements of programme has been factored into our medium term planning to ensure that enough one off funding exists both corporately and within departments to meet any potential gap over the period. Taking up to five years to safely deliver service changes rather than being driven to deliver within the two year financial target requires the careful use of reserves as part of our overall financial strategy and further emphasises the value of our Reserves Strategy.

Most of the County Council's income comes from the Dedicated Schools Grant (DSG), general government grants, council tax and business rates. Fees and charges contribute to the cost of some services and interest is earned on day-to-day balances. Government capital grants and external contributions applied to finance capital expenditure have been excluded from the following table. The proportion of the Council's income obtained from these sources is as follows:

	2020/21	**2021/22**
	%	**%**
Council tax	28	28
Business rates	2	2
General Government grants	6	6
Fees, charges and interest	18	19
Specific Government grants	46	45
Total	**100**	**100**

Revenue expenses relate to spending on the day to day operations of the County Council. Due to the nature of the services that the County Council provides, much of the cost of services relate to staffing costs. Other running expenses relate to contracts with external providers for major services such as waste disposal, highways maintenance and social care services, together with other non-staffing costs such as transport, premises costs, supplies and services and the cost of borrowing money for financing capital expenditure. The breakdown of these costs is shown in the following table:

	2020/21	2021/22
	%	%
Staff costs	47	48
Running expenses	44	44
Capital financing	9	8
Total	**100**	**100**

The County Council is responsible for providing a wide range of services, by far the biggest is education and there are over 500 schools within Hampshire, some of which have converted to Academy status and are not shown in the County Council's accounts. In 2021/22 the split of expenditure across the key service areas was as follows:

	2020/21	2021/22
	%	%
Adults', Health and Care	26	27
Schools	44	44
Children's Services Non-schools	10	12
Economy, Transport and Environment	9	8
Culture, Community and Business Services	4	4
Corporate Services	5	4
Other Services	2	1
Total	**100**	**100**

The budget for 2021/22 was approved by the County Council on 25 February 2021 and the council tax requirement (which is the net budget met by council tax) for 2021/22 was set at £707m.

More information about the budget originally set for 2021/22 is included in the Revenue Budget and Precept 2021/22 and Capital Programme 2021/22 - 2023/24 Report and in the 2021/22 Budget Book.

The Medium Term Financial Strategy (MTFS) Update reported to Cabinet and County Council in July 2020 sought to assess the medium term impact of Covid-19 on the financial sustainability of the County Council. It explained that the Council would treat the medium-term impact of Covid-19 as a one-off financial impact to be addressed through a financial response package of Council resources and further government support. This allowed the Council to continue to implement its standard financial strategy for business as usual budget management, ensuring the Council could remain financially sustainable in the medium term. During 2021/22 the Council has continued to face significant and wide-ranging financial pressures due to the pandemic, which have persisted beyond the initial period of lockdown restrictions and social distancing in many cases and total £113.2m for the year.

During the year, additional funding was made available to help meet the visible costs of Covid by the Government and NHS England. This included specific government grants totalling almost £45m, of which £13.9m has been carried forward for use in 2022/23. Specific Covid grants of £56m were utilised in 2021/22, including funding carried forward from 2020/21, primarily to provide outbreak management services and to support social providers in implementing infection control measures. £32m unringfenced Covid tranche funding was available to contribute towards meeting general Covid pressures and income losses, leaving a deficit of £25.0m as outlined below to be funded by the County Council, for which contingency funding was earmarked.

	Year End
	£'000
Response costs, service pressures and income losses	92,654
Delayed savings	21,231
Total Costs and Losses	**113,885**
Non-specific grants brought forward	(8,203)
Specific grants brought forward	(25,545)
Covid-19 Tranche 5 Grant	(23,979)
Infection Control and Contain Outbreak Management Grants	(34,373)
Other Specific Grant Funding	(11,456)
Local funding from Covid-19 Response Package	(24,966)
Total Funding	**(128,522)**
Specific Covid-19 grants carried forward	**(14,637)**

Cabinet and County Council have continued to receive regular updates throughout the past year in respect of the financial impact of Covid-19 on Council services. Current forecasts indicate that Departments are expecting to face a further £46.7m pressures linked to Covid-19, including as a result of delayed savings, across 2022/23 and 2023/24. The Council has set aside corporate funding to meet these pressures in full to minimise the impacts on service delivery.

The County Council has continued to demonstrate strong financial stewardship over this extremely challenging period. At the end of 2021/22, departmental net expenditure was £30.9m lower than budgeted, against an overall gross budget of approaching £2.1bn, a variance of 1.5%. £14.8m of the budget saving relates to an additional contribution which will be made by the county Clinical Commissioning Groups towards the costs of reablement services in 2021/22, which have supported timely discharges from hospitals. The remaining underspend largely reflects the early achievement of SP2023 savings in many service areas (£10.6m) and savings on staffing costs due to the challenges of recruiting to vacant posts, particularly customer facing roles, following the pandemic. Additionally, many of the Council's income generating services such as Hampshire Outdoor Centres and Registration Services have seen demand fully recover following the lifting of social restrictions, generating income in excess of budgeted levels.

Further non-departmental savings of £13.8m were achieved, largely from unused contingency set aside for inflation increases and growth in waste volumes that were not required, and from savings in the capital financing budget relating to slippage in the capital programme and achievement of strong returns on the Council's cash investments. These one-off savings will be transferred to reserve pending decisions by Cabinet in July 2022 for their use.

Schools continue to face increasing financial pressure, in particular relating to high needs for children with special educational needs and or disabilities (SEND), both at an individual school level and within the overall schools' budget. These pressures are outside the County Council's core budgets, but the County Council retains an active role and interest as the local education authority. In 2021/22 the overall position has been balanced through the use of the DSG Reserve; albeit that this is in deficit. Consequently, the resulting cumulative DSG deficit of over £60.0m (up from £35.5m last year) will need to be funded from future years DSG funding. A DSG Deficit Recovery Plan has been produced, at the request of the DfE, and the local authority continues to develop this and implement strategies to reduce the pressure on the High Needs Block.

The overall position is shown in the table below and further information is included in the End of Year Financial Report 21/22 considered by the County Council's Cabinet on 19 July 2022.

	Final Budget 2021/22 £'000	Outturn 2021/22 £,000	Variance £,000
Adults' Health and Care	521,066	498,273	(22,793)
Children's Services – Schools	952,863	952,863	0
Children's Services – Non Schools	260,095	259,043	(1,052)
Corporate Services	55,899	51,611	(4,288)
Culture, Community and Business Services	49,640	45,570	(4,070)
Economy, Transport and Environment	117,257	116,981	(276)
Departmental Expenditure	**1,956,820**	**1,924,341**	**(32,479)**
Specific Grants	(1,133,211)	(1,133,211)	0
Other Costs Not Allocated to Services	13,201	2,997	(10,204)
Total Cost of Services	**836,810**	**794,127**	**(42,683)**
Capital Financing Costs	35,348	28,123	(7,225)
Other non-specific grants	(92,558)	(92,053)	505
Revenue contributions to capital	13,032	7,806	(5,226)
Business Units (Net Trading Position)	(604)	(2,262)	(1,658)
Net Revenue Budget	**792,028**	**735,741**	**(56,287)**
Contributions to / (from) Reserves and Balances:			
Earmarked Reserves	18,708	70,640	51,932
Trading Unit Reserves	555	2,238	1,683
General Fund Balance	900	900	0
Budget Requirement	**812,191**	**809,519**	**(2,672)**
Funded By:			
Business Rates and Grant	(122,130)	(122,110)	20
Collection Fund Deficits / (Surpluses)	18,899	18,899	0
Council Tax Requirement	**708,960**	**706,308**	**(2,652)**

Capital

The three year Capital Programme for 2021/22 to 2023/24 was approved by the County Council alongside the revenue budget and precept on 25 February 2021. More information about the budget originally set for 2021/22 is included in the Revenue Budget and Precept 2021/22 and Capital Programme 2021/22 - 2023/24 Report and in the 2021/22 Budget Book.

In 2021/22 the County Council spent £241m on capital projects, £35m less than the revised budget and this spend is summarised below with the proposed method of financing:

	Actual £'000
Adult Services	23,869
Children's Services	45,506
Economy, Transport and Environment	111,019
Culture, Communities and Business Services	60,762
Total Capital Expenditure	**241,156**
Funded by:	
Prudential Borrowing:	
For Capital Schemes	45,186
Repayments of Specific Schemes	(13,677)
Capital Grants	131,078
Contributions from Developers and Outside Agencies	58,520
Capital Receipts	12,244
Contributions from Reserves	1,720
Revenue Contributions	11,319
Use of the Capital Reserve	(5,234)
Total Capital Financing	**241,156**

In addition to this spend, during 2021/22, the Enterprise M3 Local Enterprise (EM3 LEP) invested £13.3m in capital projects within the M3 corridor. This spend is matched by grants and included in the annual accounts, as the Council is the Accountable Body for the EM3 LEP.

Steady progress is being made given the significant size of the overall capital programme, although the proportion of the 2021/22 programme committed in the year at £179.4m, is lower than the level achieved in 2020/21 of £235.2m.

	2020/21 £m	2021/22 £m
Committed	235.2	179.4
Carried Forward	124.2	150.4
Total Programme	**359.4**	**329.8**
Percentage Committed	65%	54%

Further information is provided in the End of Year Financial Report 2021/22 considered by the County Council's Cabinet on 19 July 2022.

Treasury Management and Prudential Indicators

Treasury Management is concerned with managing an authority's long-term borrowing and lending activity and managing cash flows on a day to day basis to ensure that sufficient funding exists to pay staff and suppliers throughout the year.

The County Council's treasury management policy requires an annual report to the Cabinet on the exercise of the treasury management function and in line with the Prudential Code for Capital Finance in Local Authorities, the County Council reports its actual performance against the Prudential Indicators that were set in its Treasury Management Strategy (TMS).

The TMS is reviewed annually and provides the framework within which authority is delegated to the Director of Corporate Operations to make decisions on the management of the County Council's debt and investment of surplus funds.

All treasury activity has complied with the County Council's TMS and Investment Strategy for 2021/22, and all relevant statute, guidance and accounting standards. In addition, the County Council has also complied with all of the prudential indicators set in its TMS.

The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The County Council's Capital and Investment Strategy, complying with CIPFA's requirement, was most recently updated and approved by full Council in February 2022.

At 31 March 2022, the County Council held £249.2m of loans, (a decrease of £8.6m on the previous year) as part of its strategy for funding previous years' capital programmes. The County Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the County Council's long-term plans change being a secondary objective.

The County Council has held invested funds representing income received in advance of expenditure plus balances and reserves held. During 2021/22 the County Council's investment balances have ranged between £570m and £813m due to timing differences between income and expenditure. Both the CIPFA Code and the government guidance require the County Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The County Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Further information is provided in the End of Year Financial Report 2021/22 considered by the County Council's Cabinet on 19 July 2022.

Reserves and Balances

The County Council maintains a number of useable reserves, as detailed in the Balance Sheet.

The level and use of local authority reserves has been a regular media topic over a number of years often fueled by comments from the Government that these reserves should be used to significantly lessen the impact of the measures to reduce the deficit that have seen a greater impact on local government than any other sector.

The County Council has continually explained that reserves are kept for many different purposes and that simply trying to bridge the requirement for long-term recurring savings through the use of reserves only seeks to use up those reserves very quickly (and mean that they are not available for any other purposes) and merely delays the point at which the recurring savings are required. The County Council's reserves strategy is now well rehearsed and continues to be one of the key factors that underpins our ability not only to provide funding for transformation of services, but also to give the time for the changes to be properly planned, developed and successfully implemented.

At the end of the 2021/22 financial year total reserves held by the County Council, including the general fund balance and individual schools' balances, but excluding the DSG deficit, total £883.0m an increase of £128.1m on the previous year. Of this increase, £30.1m relates to departmental underspends, £30.8m relates to transfers to the Budget Bridging Reserve and £30.2m relates to capital grants received in advance of their planned use to fund capital schemes. The balance also includes reserves held on behalf of individual schools which increased by £17.2m in 2021/22. The balance includes contributions to Departmental cost of change reserves, reflecting the continued strategy of achieving savings early and then using those savings to fund the next phase of savings delivery and to allow delivery of the more complex savings to be achieved safely over a longer time period.

The net impact of the changes in the revenue account during 2021/22 mean that the BBR will stand at just under £99m, which is in line with the financial strategy of supporting the revenue spend position as savings are developed and delivered on a two year cycle; or longer where appropriate.

The current strategy that the County Council operates works on the basis of a two-year cycle of delivering departmental savings to close the anticipated budget gap, providing the time and capacity to properly deliver major savings programmes every two years with deficits in the intervening years being met from the BBR. Building the provision within the BBR will support the revenue position in future years, as set out in the MTFS, in order to give the County Council the time and capacity to implement the next phase of transformation to take us through 2023/24 and beyond.

In view of the impact of the Covid-19 crisis on the County Council's financial position it was judged to be even more important that we continued to make contributions to reserves in order to meet any costs that were not covered by government support. A financial response package was developed by the Council that looked at what reserves and other funding could be applied to offset the impact of the pandemic. Over £70m local funding is expected to be required to meet pressures, slipped savings and income losses due to Covid-19. This demonstrates very clearly the value of our reserves in providing options and flexibility to address financial challenges, which are not available to other authorities.

It has been agreed that where possible, the County Council will continue to direct spare one-off funding into the BBR to maintain what is part of a successful strategy which has served it very well to date. Consequently, further additions were included as part of developing the budget for 2021/22, notably following the savings resulting from both the favourable 2019 Pension Fund revaluation (which saw the eradication of the deficit and the removal of the need for the past service payments that we were making and assumed would be needed in the future), and also the pre-payment of pension contributions to the Pension Fund.

Substantial budget deficits of £101.8m and £157.0m are forecast for 2024/25 and 2025/26 respectively, largely due to growth in service demand and price increases following the pandemic, particularly for Adult Social Care. The Council is currently developing its financial strategy to meet the forecast deficit of £157m by 2025/26, however it is crucial that the Council is able to set aside sufficient funding in the BBR to bridge the £101.8m gap in 2024/25 on an interim basis. This will provide the time to develop and implement plans to address the most significant financial challenge that the Council has faced to date.

The following table summarises by purpose the total level of reserves and balances that the County Council holds and compares this to the position reported at the end of 2020/21:

	Balance 31/03/2021 £'000	Balance 31/03/2022 £'000	% of Total %
Revenue Reserves:			
General Fund Balance	23,198	24,098	2.7
HCC Earmarked Revenue Reserves			
Fully Committed to Existing Spend Programmes	202,115	212,917	24.1
Departmental / Trading Reserves	149,490	186,117	21.1
Risk Reserves	45,839	49,934	5.7
Corporate Reserves	96,107	125,822	14.2
HCC Earmarked Revenue Reserves	493,552	574,790	65.1
Non HCC Earmarked Revenue Reserves	71,428	87,644	9.9
Total Revenue Reserves and Balances	**588,178**	**686,533**	**77.8**
Total Capital Reserves and Balances	**166,672**	**196,447**	**22.2**
Total Reserves and Balances	**754,850**	**882,980**	**100.0**

The biggest proportion of reserves are those that are fully committed to existing spending programmes, including funding required to meet commitments in the approved capital programme.

In addition, £196.4m is held within capital reserves and balances, although of this sum £22.0m relates to the EM3 LEP which is included in the annual accounts, as the County Council is the Accountable Body. These reserves hold capital grants that have been received in advance of the matched spending being incurred. They are not available for revenue purposes.

Corporate Reserves relate to those reserves which whilst set aside for a specific purpose could be used to limit the impact of savings in services, which is exactly what for example the BBR does on a short-term basis giving the County Council the time and capacity to properly and safely implement savings programmes. However, trying to prevent savings by using reserves is not sustainable in the medium-term as the County Council needs recurring savings in order to close the predicted deficits in the budget.

The County Council has no control over Non-HCC Earmarked Reserves, the majority of which belong to schools, but these must be reflected in the final accounts each year. They do not include the reserves of Academy Schools. The figures for Non-HCC Earmarked Reserves do not include the accumulated DSG deficit of £60.0m as this is required to be shown as an unusable reserve with the deficit being funded from future years' DSG income.

The General Fund Balance is not earmarked for any specific purpose, but represents a minimum level of balances recommended by the Chief Finance Officer to provide a buffer against any significant unexpected losses during the year.

The overall level of reserves currently exceeds £0.88bn and it is also important to consider the level of the available resources in the context of the scale and scope of the County Council's operations. It is a stark fact that when expressed in terms of the number of days that usable reserves would sustain the authority for, it would be around 16. This highlights once again that reserves offer no long-term solution to the financial challenges we face. Correctly used however, they do provide the time and capacity to properly plan, manage and implement change programmes as the County Council has demonstrated for many years now.

The County Council faces the biggest ever challenge to its overall financial sustainability which, on top of the longer lasting effects of the Covid-19 pandemic, will be impacted by government policy on fair funding, business rate retention, adults' and children's social care and waste and recycling. This increases the potential necessity to use reserves to alleviate the ongoing financial pressures in the coming years and we will continue to review all reserves regularly to ensure that there is sufficient financial capacity to cope with the challenges ahead.

Further information is provided in the Appendix 5 of the Revenue Budget and Precept 2022/23 Report which was approved by the County Council in February 2022, including in more detail the purpose for which the reserves are held and in particular why the majority of these reserves cannot be used for other reasons.

Hampshire Pension Fund

The Hampshire Pension Fund is part of the Local Government Pension Scheme and is administered by Hampshire County Council on behalf of the 350 other employers in the scheme. As at 31 March 2022, the net assets of the Fund were valued at £9.63bn. The Pension Fund's accounts are included as part of the County Council's accounts on page 122.

In line with the Local Government Pension Scheme (LGPS) Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the valuation as at 31 March 2022 is in progress. At the 2019 actuarial valuation, the Fund was assessed as 99% funded (81% at the March 2016 valuation). This corresponded to a deficit of £78 million (2016 valuation: £1,240 million) at that time. In accordance with the regulations the Actuary's triennial valuation is calculated on a different basis to the calculation of employers' individual pension fund liability for inclusion in their accounts under International Accounting Standard (IAS) 19.

County Council's Pension Fund Liability

The County Council's own net pension liability is included in the balance sheet in accordance with accounting standards. This includes an estimate of the impact of the anticipated changes to scheme regulations that will be made to remove age discrimination as a result of the McCloud and Sargeant legal cases.

Overall, the net liability has decreased from £1,842m at 31 March 2021 to £1,498m at 31 March 2022. This results from an increase in the value of assets exceeding the increase in the pension liability – the latter reflecting a higher discount rate than the previous year. The net gain is shown in the Comprehensive Income and Expenditure Statement and then transferred to the Pension Reserve and does not impact on the General Fund balance. Statutory arrangements for funding the net pension liability mean that the financial position of the Authority remains healthy as the deficit will be covered by increased contributions over the remaining life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Further information can be obtained from Note 24 to the accounts.

Corporate Risks

Hampshire County Council has always recognised that we live in an uncertain world, where the people, environment and communities of Hampshire may be at risk. Based on the principles outlined in the International Standard on Risk Management, ISO 311000, the County Council has successfully embedded risk management into many of its business as usual practices to ensure that it can view, manage and respond to risk, both threats and opportunities, in a robust, systematic and documented way. Never before has this approach been tested in the way it has been since March 2020 in response to the global pandemic.

The County Council very quickly activated its Gold, Silver and Bronze emergency planning structure across the organisation, including through its new responsibilities for outbreak control. Close working with partners through the Local Resilience Forum and SCG have also been in place. Regular reports have been presented to Cabinet summarising the action taken by the County Council across all departments and through the work of the County Council's Health Protection Board under the leadership of the Director of Public Health and in close liaison with the Local Outbreak Engagement Board led by the Leader of the County Council. In addition, as the crisis has progressed, the financial implications have been captured and reported regularly to Members and to the Minister for Housing, Communities and Local Government (MHCLG).

Despite the significant impact of the pandemic, the County Council has continued to focus clearly on business as usual activity including the assessment of risks as part of their day to day activities and in particular for major projects under their control. This is overseen by the Risk Management Board.

The County Council has developed a performance framework for its business risk management and health and safety management systems. These are based on the Alarm National Risk Management Maturity Model. The County Council uses this performance framework to measure the performance of its management of risk, set robust targets for improvement, report on progress and demonstrate value for money. Self-assessment is supported by documentary evidence, audits and reviews and performance indicators. Assurance on our services is provided by Internal Audit and our External Auditors.

The Corporate Risk Register plays an integral role to support production of the Corporate Plan and is subject to annual review by the Audit Committee when it approves the final accounts.

The impact of the current economic climate on the County Council is taken into account when the County Council sets its budget in the February preceding the start of the financial year. The significant movements and events in the year are reported to Cabinet. Monitoring of spend against the budget takes place throughout the year and is reported to CMT regularly and to Cabinet on a periodic basis.

Summary Position

Against the backdrop of unprecedented national and global circumstances, the County Council’s financial and non-financial performance in 2021/22 continues to be strong.

The revenue outturn, with savings against departmental budgets of £30.1m after substantial transformation costs have been met in year (largely due to the early delivery of savings), is testament to the strong financial focus that has been maintained throughout the year. This has allowed the County Council to set aside resources that can then be used to meet the costs of change, to cash flow the delivery of savings or to offset service pressures in future years.

In 2021/22 the ambitious capital programme has seen schemes costing £235m started from the approved capital programme for the year of £359m and capital payments of £241m incurred which can be financed within available resources.

All treasury activity has complied with the County Council’s Treasury Management Strategy and Investment Strategy for 2021/22, the County Council has complied with all of the prudential indicators set in its Treasury Management Strategy and excluding the unpredictable future impact of Covid-19, has sufficient reserves and balances to provide financial resilience for 2022/23 and future years.

In 2021/22, Hampshire County Council has faced and dealt successfully with significant change. Beyond 2021 the County Council faces the biggest ever challenge to its overall financial sustainability which, on top of the longer lasting effects of the Covid-19 pandemic, will be impacted by government policy on fair funding, business rate retention, adults' and children's social care and waste and recycling. However, there are well established and robust risk management processes in place and, together with robust financial management and reporting, Hampshire County Council is in a strong position as it moves into 2022/23. As tough as the forward agenda is, we also know that the County Council continues to be as well placed as any other local authority to deliver on the continuing financial challenges that apply in the sector.

Changes to the Accounts

In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention for the following dates to apply for the 2021/22 accounts and audit process in England:

Publication of unaudited accounts by 31 July 2022

Publication of audited accounts by 30 November 2022

These changes were supported by an amendment to the Accounts and Audit Regulations that required the publication of audited accounts by 30th November 2022. However, as stated in the Narrative Report, the conclusion of the audit of the 2021/22 accounts has been delayed until September 2023 primarily due to two technical accounting issues that have arisen nationally and are not specific to the County Council's accounts.

The 2021/22 Code of Practice on Local Authority Accounting made changes to some accounting standards but none of them have had a material effect upon our accounts.

Explanation of the Statement of Accounts

The Financial Statements bring together all the financial activities of the County Council for the year and its financial position as at the 31 March 2022. They detail both revenue and capital elements for the General Fund and separately provide detail for the Pension Fund.

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the County Council is required to produce a set of accounts in order to inform stakeholders of the County Council that we have properly accounted for all the public money we have received and spent and that the financial standing of the County Council is on a secure basis.

The accounts for 2021/22 are set out on pages 32-165. They consist of:

- **Statement of Responsibilities for the Statement of Accounts –** Outlines the key responsibilities in respect of the accounts, together with statements from the Chief financial Officer and Chairman of the Audit Committee.
- **Movement in Reserves Statement** – Analyses the change in net worth between the general fund, other useable reserves and unusable reserves.
- **Balance Sheet** – This sets out assets and liabilities at 31 March 2022 compared with 31 March 2021.
- **Cash Flow Statement** – This summarises the movement in cash and cash equivalents during the course of the year.
- **Comprehensive Income and Expenditure Statement** – Shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than on the basis of the costs that are required to be financed from taxation.
- **Notes to the Accounts** – Which explain some of the key items and disclosures in the accounts.
- **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.

Relationship between Accounting Statements

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the County Council, analysed into ‘usable’ reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable’ reserves that mainly deal with technical accounting adjustments.

The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure account for the year and the movement in Balance Sheet liquid assets and liabilities.

The Total Comprehensive Income and Expenditure represents the change for the year in total net worth as shown on the Balance sheet.

Where you can get further information

You can get more information about the accounts from the Director of Corporate Operations, Hampshire County Council, The Castle, Winchester, SO23 8UB, Telephone: 0370 779 7883, e-mail: budget@hants.gov.uk.

Statement of Responsibilities

1. The Council's responsibilities

The Council is required to:
- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer
- Manage its affairs so as to use resources economically, efficiently and effectively and safeguard its assets
- Approve the Statement of Accounts.

2. The Chief Financial Officer's responsibilities

The Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer has also:
- Kept proper accounting records which are up to date
- Taken reasonable steps to prevent fraud and other irregularities.

3. The Chief Financial Officer's Statement

I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council and Hampshire Pension Fund as at 31 March 2022 and the income and expenditure for the year ended 31 March 2022.

Rob Carr XX September 2023

Chief Financial Officer and Section 151 Officer

4. The Chairman's Statement

I certify that the Statement of Accounts for 2021/22 were approved by the Audit Committee on 28 September 2022 subject to a further report coming back to the committee indicating a resolution to the national issue relating to infrastructure assets. This update was provided to the Audit Committee on 22 December 2022 and the accounts were re-approved.

Councillor *Derek Mellor* XX September 2023
Chairman of the Audit Committee

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

Movement in Reserves Statement

	General Fund Balance* £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020	**(476,504)**	**(166,637)**	**(643,141)**	**(2,296,791)**	**(2,939,932)**
Reporting of schools budget deficit to a new adjustment account at 01 April 2020	**(22,754)**	**0**	**(22,754)**	**22,754**	**0**
(Surplus)/Deficit on the provision of services	85,757	0	**85,757**	167,939	**253,696**
Adjustments between accounting basis & funding basis under regulations (note 2)	(174,677)	(35)	**(174,712)**	174,712	**0**
(Increase) / decrease in Year	**(111,674)**	**(35)**	**(111,709)**	**365,405**	**253,696**
Balance at 31 March 2021	**(588,178)**	**(166,672)**	**(754,850)**	**(1,931,386)**	**(2,686,236)**

* includes earmarked reserves

	General Fund Balance* £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2021	**(588,178)**	**(166,672)**	**(754,850)**	**(1,931,386)**	**(2,686,236)**
Reporting of schools budget deficit to a new adjustment account at 01 April 2021		**0**	**0**		**0**
(Surplus)/Deficit on the provision of services	17,692	0	**17,692**	(864,902)	**(847,210)**
Adjustments between accounting basis & funding basis under regulations (note 2)	(116,047)	(29,775)	**(145,822)**	145,822	**0**
(Increase) / decrease in Year	**(98,355)**	**(29,775)**	**(128,130)**	**(719,080)**	**(847,210)**
Balance at 31 March 2022	**(686,533)**	**(196,447)**	**(882,980)**	**(2,650,466)**	**(3,533,446)**
* includes earmarked reserves	(note 4)			(note 3)	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the County Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

Balance Sheet

31 March 2021 £'000		31 March 2022 £'000	See note
4,433,280	Property, plant & equipment (PPE)	4,521,166	*19*
105,147	Investment property	145,302	*20*
259,613	Long-term investments	236,939	*22*
127,973	Long-term debtors	47,569	*22b*
4,926,013	**Long-term assets**	**4,950,976**	
1,250	Current assets held for sale	3,043	
195,795	Short-term investments	440,336	*22*
3,379	Inventories	3,066	
226,825	Short-term debtors	284,275	*22c*
88,128	Cash and cash equivalents	(1,202)	*22a*
515,377	**Current assets**	**729,518**	
(215,598)	Short-term Creditors	(207,755)	*22g*
(51,323)	Short-term borrowing	(53,821)	*22d*
(8,392)	Deferred liability repayable within one year	(7,669)	*18*
(31,147)	Grants receipts in advance - revenue	(22,951)	*6*
(67,511)	Grants receipts in advance - capital	(64,981)	*6*
(373,971)	**Current liabilities**	**(357,177)**	
141,406	**Net current assets**	**372,341**	
(1,842,287)	Net liability related to defined benefit pension schemes	**(1,259,367)**	*24f*
(23,713)	Provisions	(20,519)	*23*
(249,293)	Long-term borrowing	(241,183)	*22d*
(133,080)	Deferred liabilities	(121,391)	*18*
(132,810)	Developers' contributions	(147,411)	*22f*
(2,381,183)	**Long term liabilities**	**(1,789,871)**	
2,686,236	**Total net assets**	**3,533,446**	
	Financed by:		
	Usable reserves		
(588,178)	General Fund and earmarked reserves	(686,533)	*4*
(166,672)	Capital grants unapplied reserve	(196,447)	*4D*
(754,850)	**Usable reserves**	**(882,980)**	
(1,931,386)	**Unusable reserves**	**(2,650,466)**	*3*
(2,686,236)	**Total Reserves**	**(3,533,446)**	

Rob Carr

XX September 2023

Chief Financial Officer and Section 151 Officer

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2020/21 £'000		2021/22 £'000	Note
85,757	Net (surplus) or deficit on the provision of services	17,692	
(164,829)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(361,911)	27a
129,347	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	194,672	27a
50,275	**Net cash (inflow) or outflow from Operating Activities**	**(149,547)**	
27,695	Investing Activities	226,135	27b
14,143	Financing Activities	12,743	27c
92,113	**Net (increase) or decrease in cash and cash equivalents**	**89,331**	
(180,241)	Cash and cash equivalents at the beginning of the reporting period	(88,128)	
(88,128)	**Cash and cash equivalents at the end of the reporting period**	**1,202**	22a

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements: this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

2020/21 Gross expenditure £'000	2020/21 Gross Income £'000	2020/21 Net expenditure £'000		2021/22 Gross expenditure £'000	2021/22 Gross Income £'000	2021/22 Net expenditure £'000	Note
663,380	(311,650)	**351,730**	Adults' Health and Care	722,692	(328,890)	**393,802**	
1,110,963	(978,919)	**132,044**	Schools	1,174,938	(1,014,642)	**160,296**	
257,769	(38,145)	**219,624**	Children's Services Non-Schools	307,827	(53,359)	**254,468**	
224,893	(45,316)	**179,577**	Economy, Transport & Environment	217,743	(40,202)	**177,541**	
102,293	(35,917)	**66,376**	Culture, Communities & Business Services	109,015	(36,093)	**72,922**	
114,249	(35,335)	**78,914**	Corporate Services & Other Corporate	104,085	(35,484)	**68,601**	
1,366	0	**1,366**	Change in Provisions	(4,106)	0	**(4,106)**	
50,419	(42,601)	**7,818**	Other items not allocated to services	26,155	(17,328)	**8,827**	
2,525,332	**(1,487,883)**	**1,037,449**	**Cost of Services**	**2,658,349**	**(1,525,998)**	**1,132,351**	11
			Other operating expenditure				
1,453	(3,866)	**(2,413)**	(Gain)/Loss on disposal of assets	18,322	(12,203)	6,119	
13,332		**13,332**	Assets transferred to academy/foundation trust schools	9,336		**9,336**	
56,958	(41,220)	**15,738**	Total financing and investment income & expenditure	57,764	(81,771)	**(24,007)**	5
			Taxation and non-specific grant income				
	(154,808)		Non-ringfenced government grants		(167,518)		6
	(26,782)		Locally retained business rates		(39,147)		
	(671,278)		Council tax income		(716,973)		
	(125,481)		Capital grants and contributions		(182,469)		6
		(978,349)	**Total taxation and non-specific grant income**			**(1,106,107)**	
		85,757	**(Surplus)/Deficit on the provision of services**			**17,692**	
	(55,621)		Net gains on revaluation of property, plant & equipment and financial instruments		(94,908)		3a
	223,560		Actuarial loss/(gain) on pension fund assets and liabilities		(769,994)		24c
		167,939	**Other Comprehensive (Income)/Expenditure**			**(864,902)**	
		253,696	**Total Comprehensive (Income)/Expenditure**			**(847,210)**	

Notes to the Core Financial Statements

Contents

1 Expenditure and Funding Analysis

2020/21 Net Expenditure chargeable to the General Fund Balance £'000	2020/21 Adjustments between accounting and funding basis (see note 2) £'000	2020/21 Net expenditure in the CIES £'000		2021/22 Net Expenditure chargeable to the General Fund Balance £'000	2021/22 Adjustments between accounting and funding basis (see note 2) £'000	2021/22 Net expenditure in the CIES £'000
478,392	(126,662)	351,730	Adults' Health and Care	498,273	(104,471)	393,802
895,862	(763,818)	132,044	Schools	952,863	(792,567)	160,296
228,257	(8,633)	219,624	Children's Services Non-Schools	259,043	(4,575)	254,468
127,759	51,818	179,577	Economy, Transport & Environment	116,981	60,560	177,541
50,222	16,154	66,376	Culture, Communities & Business Services	45,570	27,352	72,922
68,903	10,011	78,914	Corporate Services & Other Corporate	51,611	16,990	68,601
(1,094,483)	1,094,483	0	Specific Grants	(1,133,212)	1,133,212	0
6,689	2,495	9,184	Other items not allocated to services	2,997	1,724	4,721
761,601	**275,848**	**1,037,449**	**Net cost of services**	**794,126**	**338,225**	**1,132,351**
(850,521)	(101,171)	(951,692)	Other income and expenditure	(892,481)	(222,178)	(1,114,659)
(88,920)	**174,677**	**85,757**	**(Surplus) or deficit on the provision of services**	**(98,355)**	**116,047**	**17,692**
(476,504)			**Opening General Fund (including earmarked reserves) balance at 1 April**	**(588,178)**		
(88,920)			Plus (surplus)/deficit on provision of services	(98,355)		
(22,754)			Adjustment for the Dedicated Schools Grant Deficit now established as a separate unusable reserve			
(588,178)			**Closing General Fund (including earmarked reserves) balance at 31 March**	**(686,533)**		

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, council tax precept and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practice as presented in the Comprehensive Income and Expenditure Statement. The EFA also shows how this expenditure is allocated for decision making purposes between the County Council’s services.

2 Adjustments between funding and accounting basis

2021/22 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Adults & Health	15,702	28,199	(148,372)	(104,471)
Schools	97,356	58,315	(948,238)	(792,567)
Children's Services non-schools	3,407	19,480	(27,462)	(4,575)
Economy, Transport and Environment	64,553	7,418	(11,411)	60,560
Culture, Communities & Business Services	10,562	17,044	(254)	27,352
Corporate Services and other Corporate	690	16,908	(608)	16,990
Other items not allocated to services:				
Specific Grants	0	0	1,133,212	1,133,212
Other	3	1,925	(204)	1,724
Net cost of services	**192,273**	**149,289**	**(3,337)**	**338,225**
Other income and expenditure from the funding analysis	(252,326)	37,784	(7,636)	(222,178)
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**(60,053)**	**187,073**	**(10,973)**	**116,047**
Note a) Adjustments for capital purposes:				
Charges to services for depreciation and impairment	197,833			197,833
Service revenue expenditure funded from capital under statute	(2,319)			(2,319)
Current value of assets disposed	18,308			18,308
Current value of assets transferred to academies	9,336			9,336
Statutory minimum revenue provision for capital financing	(27,646)			(27,646)
External contribution to minimum revenue provision	584			584
Revenue contributions to capital	(7,806)			(7,806)
Capital grants and contributions applied (note i)	(182,469)			(182,469)
Movement in the market value of investment properties	(53,671)			(53,671)
Total transferred to capital adjustment account (including note i)	(47,850)			(47,850)
Transfer asset sale proceeds to capital receipts reserve	(12,203)			(12,203)
Note a) Total	**(60,053)**			(60,053)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		234,190		234,190
Past service cost of funded local government pensions		1,401		1,401
Interest on net pension liability		37,784		37,784
Total transferred to Pension Reserve		273,375		273,375
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(86,301)		(86,301)
Note b) Total		**187,074**		187,074
Note c) Other adjustments:				
Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			(3,338)	(3,338)
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account			(12,321)	(12,321)
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			(19,892)	(19,892)
Increase in the DSG deficit			24,577	24,577
Note c) Total			**(10,974)**	(10,974)
Total adjustments				116,047
(note i) transfer from capital grants unapplied reserve				29,775
Total adjustments between accounting and funding basis under statute				145,822

2020/21 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Adjustments (Note c) £'000	Total Adjustments £'000
Adults & Health	5,087	15,826	(147,575)	(126,662)
Schools	112,198	32,811	(908,827)	(763,818)
Children's Services non-schools	1,289	9,002	(18,924)	(8,633)
Economy, Transport and Environment	59,838	4,028	(12,048)	51,818
Culture, Communities & Business Services	9,146	9,751	(2,743)	16,154
Corporate Services and other Corporate	1,100	10,118	(1,207)	10,011
Other items not allocated to services:				
Specific Grants	0	0	1,094,483	1,094,483
Other	3	2,492	0	2,495
Net cost of services	**188,661**	**84,028**	**3,159**	**275,848**
Other income and expenditure from the funding analysis	(152,766)	33,587	18,008	(101,171)
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**35,895**	**117,615**	**21,167**	**174,677**
Note a) Adjustments for capital purposes:				
Charges to services for depreciation and impairment	191,348			191,348
Service revenue expenditure funded from capital under statute	(95)			(95)
Current value of assets disposed	1,439			1,439
Current value of assets transferred to academies	13,331			13,331
Statutory minimum revenue provision for capital financing	(16,756)			(16,756)
External contribution to minimum revenue provision	372			372
Revenue contributions to capital	(17,662)			(17,662)
Capital grants and contributions applied (note i)	(125,481)			(125,481)
Movement in the market value of investment properties	(6,735)			(6,735)
Total transferred to capital adjustment account (including note i)	39,761			39,761
Transfer asset sale proceeds to capital receipts reserve	(3,866)			(3,866)
Note a) Total	**35,895**			**35,895**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		165,850		165,850
Past service cost of funded local government pensions		2,333		2,333
Interest on net pension liability		33,587		33,587
Total transferred to Pension Reserve		201,770		201,770
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(84,155)		(84,155)
Note b) Total		**117,615**		**117,615**
Note c) Other adjustments:				
Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			3,159	3,159
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account			(17,953)	(17,953)
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			23,270	23,270
Increase in the DSG deficit			12,691	12,691
Note c) Total			**21,167**	**21,167**
Total adjustments				174,677
(note i) transfer from capital grants unapplied reserve				35
Total adjustments between accounting and funding basis under statute				**174,712**

3 Unusable reserves

	Balance 1 April 2021 £'000	Movement £'000	Balance 31 March 2022 £'000	*Note*
Revaluation reserve	(1,568,037)	(48,115)	(1,616,152)	*3a*
Capital adjustment account	(2,282,764)	(77,071)	(2,359,835)	*3b*
Pensions reserve	1,842,287	(582,920)	1,259,367	*3c*
Accumulated absences account	16,906	(3,338)	13,568	*3d*
Financial instrument adjustment accounts	11,932	(12,321)	(389)	*3e*
Collection fund adjustment account	12,845	(19,892)	(7,047)	*3f*
DSG deficit	35,445	24,577	60,022	*3g*
	(1,931,386)	**(719,080)**	**(2,650,466)**	

3a Revaluation reserve

The Revaluation Reserve contains the gains made by the County Council since 1 April 2007, arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

2020/21		2021/22
(1,559,801)	Balance at 1 April	(1,568,037)
(55,621)	(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(94,908)
40,778	Difference between fair value depreciation and historical cost depreciation	39,756
7,508	Write off net gains for assets transferred to Academy/Foundation schools	3,911
(901)	Accumulated gains on assets sold, scrapped or transferred to/from current assets	3,126
47,385	**Amount written off to the Capital Adjustment Account**	46,793
(1,568,037)	**Balance at 31 March**	**(1,616,152)**

3b Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. This account contains expenditure financed from revenue and capital receipts together with the statutory amount required to provide for the repayment of external loans less the amounts included for depreciation, impairment and revenue expenditure financed by capital under statute and the historic cost of asset disposals. The reserve is not cash backed. The movement in the account is analysed below:

2020/21 £'000		2021/22 £'000	2021/22 £'000
(2,271,309)	Balance brought forward 1 April		**(2,282,764)**
0	HCC debtors	0	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
191,348	Charges for depreciation and impairment of non-current assets	197,833	
(95)	Revenue expenditure funded from capital under statute	(2,319)	
1,439	Assets disposals current value	18,308	
13,331	Assets transferred to Academy/Foundation schools current value	9,336	
(2,065,286)			**(2,059,606)**
(47,385)	Adjusting amounts written out of Revaluation Reserve		(46,793)
(2,112,671)	**Net amount written out of the cost of assets consumed in the year**		**(2,106,399)**
	Capital financing applied in the year:		
(6,767)	Capital receipts applied	(17,502)	
(16,756)	Statutory minimum revenue provision for capital financing	(27,646)	
372	External contribution to minimum revenue provision	584	
(17,662)	Revenue contributions to capital expenditure	(7,806)	
(125,446)	Capital grants and contributions applied	(152,694)	
(166,259)			**(205,064)**
(6,735)	Movement in the market value of investment properties and pooled property fund		(53,671)
2,901	Write down of capital debtors		5,299
(2,282,764)	**Balance as at 31 March**		**(2,359,835)**

3c Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The County Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

2020/21 £'000		2021/22 £'000
1,501,112	Balance at 1 April	1,842,287
223,560	Actuarial losses / (gains) on pensions assets and liabilities	(769,994)
201,770	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	273,375
(84,155)	Employer's pensions contributions and direct payments to pensioners payable in the year	(86,301)
1,842,287	**Balance at 31 March**	**1,259,367**

3d Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

Non-teaching staff work under Employment in Hampshire County Council (EHCC) terms and conditions which permit them to carry forward, in exceptional circumstances, up to 5 days (37 hours) annual leave per year, pro-rated for those working part time. In addition, some staff may have flexible working conditions which permit them to accumulate up to a maximum of 40 hours flexi-time. In this case they can theoretically carry forward up to 40 hours flexi-time from one financial year to another. However, the actual amounts of annual leave and flexi-time carried forward are much lower than the maximum amounts and are similar each year, so an accrual for non-teaching staff is not required.

The Conditions of Service for School Teachers state that teachers should not receive less than one-third of a year's salary for each full term's service. Due to the County Council's policy of a fixed Easter break during April, the pay and leave entitlement for the spring term straddles two financial years. Therefore an accrual is made by charging children's services for the cost of Easter holiday entitlements earned by teachers but not taken until the next financial year.

3e Financial instruments adjustment account

The County Council uses this account to manage premiums paid on the early redemption of loans and fair value changes for pooled investment funds. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, and reversed out of the General Fund balance to the Financial Instruments Adjustment Account in the Movement in reserves statement. The expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. Fair value changes debited or credited to the provision of services are reversed out of the General Fund balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

3f Collection fund adjustment account

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

3g Dedicated schools grant adjustment account

This unusable reserve was established by regulation on 1 April 2020 in order to keep separate from the County Council's general fund, any deficits arising from schools budget expenditure that exceeds the available funding provided through the annual dedicated schools grant (DSG). This accounting treatment is limited to the financial reporting periods 2020/21, 2021/22 and 2022/23 to provide time for Government and local authorities to look at budgetary and financial management strategies to reduce the deficits.

4 General Fund and earmarked reserves

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading within the Comprehensive Income and Expenditure Statement in that year and is included in the Surplus or Deficit on the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

	Balance 1 April 2020 £'000	Movement in 2020/21 £'000	Balance 31 March 2021 £'000	Movement in 2021/22 £'000	Balance 31 March 2022 £'000	*See note*
Revenue Reserves						
A. General Fund Balance	(22,298)	(900)	**(23,198)**	(900)	**(24,098)**	*a*
B. County Council Earmarked Revenue Reserves						
Fully Committed to Existing Spend Programmes						
Revenue Grants Unapplied	(38,111)	19,142	**(18,969)**	10,532	**(8,438)**	*b*
General Capital Reserve	(112,357)	(36,606)	**(148,963)**	(18,452)	**(167,414)**	*c*
Street Lighting Reserve	(27,527)	299	**(27,228)**	393	**(26,835)**	*d*
Public Health Reserve	(5,480)	(278)	**(5,758)**	(3,111)	**(8,869)**	*e*
Other	(1,071)	(126)	**(1,197)**	(164)	**(1,361)**	*f*
	(184,546)	**(17,569)**	**(202,115)**	**(10,802)**	**(212,917)**	
Departmental / Trading Reserves						
Trading Accounts	(6,725)	(2,075)	**(8,800)**	(2,238)	**(11,038)**	*g*
Departmental Cost of Change	(85,492)	(55,198)	**(140,690)**	(34,389)	**(175,079)**	*h*
	(92,217)	**(57,273)**	**(149,490)**	**(36,627)**	**(186,117)**	
Risk Reserves						
Insurance	(40,955)	1,366	**(39,589)**	(4,095)	**(43,684)**	*i*
Investment Risk	(4,958)	(1,292)	**(6,250)**	0	**(6,250)**	*j*
	(45,913)	**74**	**(45,839)**	**(4,095)**	**(49,934)**	
Corporate Reserves						
Budget Bridging Reserve	(78,509)	10,339	**(68,170)**	(30,801)	**(98,971)**	*k*
Invest To Save	(22,290)	5,075	**(17,215)**	1,634	**(15,581)**	*l*
Corporate Policy	(6,852)	(448)	**(7,300)**	(807)	**(8,107)**	*m*
Organisational Change	(3,442)	20	**(3,422)**	259	**(3,163)**	*n*
	(111,093)	**14,986**	**(96,107)**	**(29,715)**	**(125,822)**	
Total Earmarked Revenue Reserves available to the County Council	**(433,769)**	**(59,783)**	**(493,552)**	**(81,239)**	**(574,790)**	
C. Other Earmarked Revenue Reserves						
EM3 LEP Reserve	(5,081)	321	**(4,760)**	1,019	**(3,741)**	*p*
Schools Reserves	(15,355)	(51,312)	**(66,667)**	(17,236)	**(83,903)**	*q*
Total Revenue Reserves and Balances	**(476,503)**	**(111,675)**	**(588,178)**	**(98,355)**	**(686,533)**	
D. Capital Reserves						
Capital Grants Unapplied	(166,637)	(35)	**(166,672)**	(29,775)	**(196,447)**	*r*
Total Capital Reserves and Balances	**(166,637)**	**(35)**	**(166,672)**	**(29,775)**	**(196,447)**	
Total Usable Reserves	**(643,140)**	**(111,709)**	**(754,850)**	**(128,131)**	**(882,980)**	

a The General Fund Balance is the surplus of revenue income over expenditure. It can be used to supplement income in future years

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

c The general capital reserve is to assist in matching the timing of the availability of capital financing resources with the timing of capital payment.

d The street lighting reserve represents the anticipated surplus generated by the financial model for this PFI scheme that is invested up front and then applied to the contract payments for future years.

e The Public Health reserve represents the balance of the ring-fenced government grant carried forward for future Public Health expenditure.

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

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

h The departmental cost of change reserve enables individual services to carry forward underspends in order to invest in technology and other service improvements and meet the cost of significant change programmes and restructures

i The County Council self-insures against certain types of risks and the level of the insurance reserve is based on an independent valuation of past claims experience and the level and nature of current outstanding claims.

j The Investment Risk reserve was established in 2014/15 to mitigate the slight additional risk associated with the revised approved investment strategy as a prudent response to targeting investments with higher returns.

k The budget bridging reserve, formerly known as the grant equalisation reserve, is used to smooth the impact of funding reductions and service and inflationary pressures.

l The invest-to-save reserve is to provide funding for investment which will generate further revenue savings in the future.

m The corporate policy reserve is available to fund new budget initiatives that are agreed as part of the overall budget. It offers the opportunity to introduce specific service initiatives that might not have otherwise gained funding and are designed to have a high impact on service users or locations where they are applied.

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

p The EM3 LEP reserve represents underspending of EM3 LEP funding carried forward for future expenditure.

q The purpose of the Schools reserve is to earmark the balance of unspent delegated budgets. They are not available to other services.

r The capital grants unapplied reserve holds capital grants that have been received in advance of the matched spending being incurred. They are not available for revenue purposes.

5 Financing and investment income and expenditure

2020/21 £'000		2021/22 £'000
20,752	Interest payable	18,361
(14,738)	Interest receivable	(14,062)
(24,142)	Pooled Investment Funds & Investment property (gains) and losses	(65,447)
33,587	Pension interest	37,784
(2,340)	(Surplus)/deficit on internal trading undertakings	(2,262)
2,619	Increase in Expected Credit Losses	1,619
15,738	**Total within other operating expenditure**	**(24,007)**

6 Government Grants and other contributions

Government grants and third party contributions are recognised as income at the date that the County Council satisfies the conditions of entitlement to the grant or contribution.

Grants and contributions which have outstanding conditions are carried in the Balance Sheet as creditors (receipts in advance). When conditions are satisfied, or where there are no conditions attached to the grant or contribution and there is reasonable assurance that the monies will be received and that the expenditure for which the grant has been given has been or will be incurred, the income is credited to the Comprehensive Income and Expenditure Statement as follows:

- To the relevant service for revenue grants and contributions and capital grants used to fund revenue expenditure funded by capital under statute
- To the Taxation and Non-Specific Grant Income section for non-ring-fenced revenue grants and contributions and all other capital grants and contributions.

In deciding if developer contribution agreements have conditions attached the County Council has applied the substance over form concept and assumed that all agreements have a constructive obligation to repay contributions if not used even if this is not explicit in the agreement.

Capital grants credited to the Comprehensive Income and Expenditure Statement, are reversed out of the General Fund in the Movement in Reserves Statement. Capital grants applied in the year, are posted to the Capital Adjustment Account. Where the grant has yet to be used to finance capital expenditure, it is transferred to the Capital Grants and Contributions Unapplied Reserve. Amounts in the Capital Grants and Contributions Unapplied Reserve that are subsequently applied in future years will be transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants have been credited to the Comprehensive Income and Expenditure Statement but are yet to be used, they are transferred to an earmarked reserve in the Movement in Reserves Statement. Once used in subsequent years, they are transferred to the General Fund to fund the revenue expenditure.

Grant and contribution income credited to the Comprehensive Income and Expenditure Statement:

2020/21 £'000	Credited to Taxation and Non Specific Grant Income	2021/22 £'000
	Capital Grants and Contributions:	
(420)	Contributions from other Local Authorities	(2,275)
(13,533)	Department for Transport Grants	(22,536)
(24,396)	Developer's contributions	(30,374)
(14,252)	Disabled Facilities Grant	(14,252)
(31,546)	EM3 Local Enterprise Partnership	(7,598)
(402)	Emergency Active Travel Fund Tranche 2	(1,075)
(23,115)	ESFA Free School Grant	(2,747)
0	Homes England HIF - Capacity Fund	(1,250)
(5,659)	Housing Infrastructure Fund (HIF) Grant	(4,341)
(23,956)	Local Transport Capital Block Funding Grant	(11,145)
(4,638)	National Productivity Incentive Fund	(1,408)
(4,495)	National Productivity Incentive Grant	(3,721)
(43,150)	Other contributions & Misc Income	(28,072)
(11)	Public Sector Decarbonisation Scheme Grant	(25,627)
(1,243)	Schools Basic Needs Grant	(40,904)
(22,933)	Schools Condition Allocation	(20,270)
(3,857)	Schools Devolved Formula Capital	(3,034)
0	Schools High Needs Grant	(6,789)
92,125	**Less: Capital income used to fund revenue expenditure under statute**	**44,950**
(125,481)		(182,469)
(154,808)	Non-ringfenced Government grants	(167,518)
(280,289)	**Total**	**(349,987)**

2020/21 £'000	Credited to services	2021/22 £'000
(18,908)	Better Care Fund	(18,908)
(1,069)	Bus Service Operators Grant	(1,069)
(3,527)	Covid-19 Adult Social Care Rapid Testing Fund	(382)
(33,675)	Covid-19 Adults Social Care Infection Control Fund (ICTF)	(27,078)
(3,803)	Covid-19 Clinically Extremely Vulnerable (CEV) Grant	(243)
(1,037)	Covid-19 Emergency Assistance Grant	0
(315)	Covid-19 Holiday Activities Food Programme (HAF)	(2,863)
0	Covid-19 Local Support Grant Allocation	(3,410)
(699)	Covid-19 Mass Testing Fund	(1,335)
0	Covid-19 Omicron Support Fund	(1,189)
0	Covid-19 Practical Support (Self Isolation)	(2,203)
0	Covid-19 Recovery Premium	(1,899)
(3,483)	Covid-19 Sales, Fees and Charges Grant	(194)
(6,803)	Covid-19 School Catch Up Grant	(4,863)
(1,917)	Covid-19 School Fund Grant	0
(14,395)	Covid-19 Surge Funding / additional Contain Outbreak Management F	(15,946)
(3,810)	Covid-19 Winter Grant Scheme (WGS)	(97)
(2,127)	Covid-19 Workforce Capacity Grant	(251)
(1,513)	Covid-19 Other Specific Grants	(3,119)
(811,186)	Dedicated Schools Grant (DSG)	(874,186)
0	Domestic Abuse Capacity Building Fund	(1,353)
(16,452)	Free School Meals - Universal (UIFSM)	(13,608)
(11,452)	Improved Better Care Fund	(11,452)
(4,082)	Independent Living Fund	(4,082)
(1,717)	Music Grant	(1,723)
0	New Household Fund Grant	(6,834)
(7,730)	Other Specific Grants	(8,118)
(1,056)	Partners in Practice (PiP)	(350)
(7,566)	PE & Sport Grant	(7,472)
(34,850)	Per Pupil Premium	(36,033)
(9,373)	PFI Street Lighting Grant	(9,373)
(52,388)	Public Health Grants	(52,925)
(1,882)	School Improvement Grant & Brokering Grant	(1,741)
0	School-led Tutoring	(1,730)
(1,729)	Supporting Troubled Families (SFP)	(2,050)
(7,804)	Teachers Pay Grant	(77)
(22,952)	Teachers Pensions Grant	(218)
(5,186)	Unaccompanied Asylum Seeking Children (UASC)	(5,783)
0	Workforce Recruitment and Retention Fund for Adult Social Care	(9,047)
(152,066)	Other grants and contributions	(164,111)
(1,889)	Developers Contributions	(2,636)
(92,125)	Capital grants and contributions released to fund revenue expenditure (REFCUS)	**(44,950)**
(1,340,566)	**Total**	**(1,344,900)**

The County Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the condition is not met.

31 March 2021 £'000	Capital grants and contributions receipts in advance	31 March 2022 £'000
(1,408)	Additional Highways Funding	0
(17,647)	Department for Transport Grant	(34,298)
(5,005)	DfT Sect 31 Grant - Safer Routes	(4,653)
(2,146)	ESFA Free School Grant	0
(2,654)	Getting Building Fund	(497)
(1,201)	Other Capital grants receipts in advance	(1,370)
(11,978)	Pot Hole Grant	0
(12,375)	Public Sector Decarbonisation Grant (Salix)	(3,610)
(6,472)	Schools Devolved Formula Capital	(6,784)
(3,054)	Special Educational Needs and Disability	(2,072)
(3,571)	Transforming Cities Fund	(11,697)
(67,511)	**Total**	**(64,981)**

31 March 2021 £'000	Revenue grants receipts in advance	31 March 2022 £'000
0	Afghan Citizens Resettlement Scheme - Adults & Childrens	(1,334)
(18,102)	Covid-19 Contain Outbreak Management Fund	(8,344)
(1,082)	Covid-19 Rapid Testing Fund	0
(4,790)	Covid-19 Track and Trace Grant	(4,790)
(697)	Covid-19 Other Revenue grants receipts in advance	(971)
(5,531)	Other Revenue grants receipts in advance	(6,511)
(945)	Single Farm Payments European Grant	(1,001)
(31,147)	**Total**	**(22,951)**

7 Dedicated Schools Grant (DSG)

DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/22 are as follows:

	Central expenditure £'000	Individual Schools Budget £'000	2021/22 Total £'000
Final DSG for 2021/22 before Academy and High Needs Recoupment			(1,105,898)
Academy and High Needs figure recouped for 2021/22			232,744
Total DSG after Academy and High Needs recoupment for 2021/22			(873,154)
Plus brought forward from 2020/21			0
Less carry forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution in 2021/22	(126,372)	(746,782)	(873,154)
In year adjustments		(1,032)	(1,032)
Final budget distribution in 2021/22	**(126,372)**	**(747,814)**	**(874,186)**
Less Actual central expenditure	152,573		152,573
Less Actual ISB deployed to schools		746,190	746,190
In year carry forward to 2022/23	**26,201**	**(1,624)**	**24,577**
DSG deficit unusable reserve at 1 April 2021			**35,445**
Addition to DSG unusable reserve at the end of 2021/22			24,577
Total of DSG unusable reserve at 31 March 2022			**60,022**
Net DSG position at the end of 2021/22			**60,022**

8 Officers’ remuneration (including senior employees’ remuneration and termination agreements)

Employee benefits

Benefits payable during employment
Short-term employee benefits, such as salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the County Council.

Termination benefits
Termination benefits are amounts payable as a result of a decision by the County Council to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept voluntary redundancy. These costs are charged on an accruals basis to the Comprehensive Income and Expenditure Statement (as part of the cost of services) when a termination notice has been issued to an employee. A provision for termination costs is included in the Comprehensive Income and Expenditure Statement (as part of the cost of services) where there is an agreed business case setting out the estimated termination costs resulting from a proposed restructuring.

Where termination benefits involve the enhancement of pensions by way of added years, legislation requires the General Fund Balance to be charged with the amount payable by the County Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional charges for termination benefits and replace them with a charge for the actual amounts payable to the former employee and the pension fund.

8a Officer remuneration

The number of employees whose remuneration during the year was £50,000 or more, in bands of £5,000, is shown below, excluding those that are senior employees (see note 8b). Remuneration includes all amounts paid to an employee, including the taxable value of expenses.

Number of employees 2020/21			Including termination payments	Number of employees 2021/22		
Schools	Other	Total		Schools	Other	Total
323	282	**605**	£50,000 - £54,999	332	223	**555**
201	129	**330**	£55,000 - £59,999	189	252	**441**
126	138	**264**	£60,000 - £64,999	123	76	**199**
140	58	**198**	£65,000 - £69,999	138	133	**271**
70	27	**97**	£70,000 - £74,999	85	15	**100**
42	23	**65**	£75,000 - £79,999	44	33	**77**
27	49	**76**	£80,000 - £84,999	25	41	**66**
14	7	**21**	£85,000 - £89,999	12	10	**22**
9	16	**25**	£90,000 - £94,999	13	1	**14**
4	6	**10**	£95,000 - £99,999	3	11	**14**
7	8	**15**	£100,000 - £104,999	9	10	**19**
1	3	**4**	£105,000 - £109,999	2	7	**9**
1	3	**4**	£110,000 - £114,999	1	0	**1**
4	0	**4**	£115,000 - £119,999	3	3	**6**
1	1	**2**	£120,000 - £124,999	0	0	**0**
0	0	**0**	£125,000 - £129,999	1	1	**2**
0	2	**2**	£130,000 - £134,999	0	0	**0**
0	0	**0**	£135,000 - £139,999	1	2	**3**
0	1	**1**	£140,000 - £144,999	0	1	**1**
970	**753**	**1,723**		**981**	**819**	**1,800**

Number of employees 2020/21			Excluding termination payments	Number of employees 2021/22		
Schools	Other	Total		Schools	Other	Total
323	283	**606**	£50,000 - £54,999	329	217	**546**
201	126	**327**	£55,000 - £59,999	187	252	**439**
126	137	**263**	£60,000 - £64,999	121	77	**198**
140	58	**198**	£65,000 - £69,999	137	132	**269**
70	26	**96**	£70,000 - £74,999	85	16	**101**
42	22	**64**	£75,000 - £79,999	43	33	**76**
27	49	**76**	£80,000 - £84,999	25	42	**67**
14	5	**19**	£85,000 - £89,999	12	10	**22**
9	16	**25**	£90,000 - £94,999	13	1	**14**
4	6	**10**	£95,000 - £99,999	3	10	**13**
7	8	**15**	£100,000 - £104,999	9	11	**20**
1	3	**4**	£105,000 - £109,999	2	7	**9**
1	3	**4**	£110,000 - £114,999	1	0	**1**
4	0	**4**	£115,000 - £119,999	3	3	**6**
1	1	**2**	£120,000 - £124,999	0	0	**0**
0	0	**0**	£125,000 - £129,999	1	1	**2**
0	2	**2**	£130,000 - £134,999	0	0	**0**
0	0	**0**	£135,000 - £139,999	1	1	**2**
0	1	**1**	£140,000 - £144,999	0	0	**0**
970	**746**	**1,716**		**972**	**813**	**1,785**

8b Senior employees' remuneration

This statement covers the remuneration of Chief Officers.

Senior employees 2021/22	Salary, (Including fees and allowances) £	Expense Allowances £	Benefits in Kind £	Compensation for Loss of Office £	Pension contribution £	Total remuneration including pension contributions £
Chief Executive (01/04/2021 - 18/07/2021)						
John Coughlan	77,827	-	-	-	-	77,827
Chief Executive (19/07/2021 - 31/03/2022)	164,909	-	-	-	-	164,909
Carolyn Williamson						
Deputy Chief Executive and Director of Corporate Resources (01/04/2021 - 18/07/2021)						
Carolyn Williamson	59,726	-	-	-	-	59,726
Director of Children's Services						
Steve Crocker	172,271	-	-	-	31,698	203,969
Director of Adults' Health & Care						
Graham Allen	173,300	-	-	-	31,887	205,187
Director of Economy, Transport and Environment						
Stuart Jarvis	157,483	-	-	-	-	157,483
Director of Community, Culture and Business Services						
Felicity Roe	157,483	-	-	-	28,977	186,460
Director of Public Health	125,003	-	-	-	23,001	148,004
Director of Corporate Operations (19/07/2021 - 31/03/2022)						
Rob Carr	116,775	-	-	-	-	116,775
Director of HR, Organisational Development and Communications and Engagement (19/07/2021 - 31/03/2022)	103,514	-	-	-	20,364	123,878
Head of Law and Governance (12/05/2021 - 31/03/2022)	85,770	-	-	-	15,782	101,551
Director of Transformation and Governance and Deputy Director of Adults' Health and Care (01/04/2021 - 11/05/2021)	15,364	-	-	-	2,153	17,517
Assistant Chief Executive (01/04/2021 - 24/10/2021)	59,714	-	-	-	10,987	70,701
Assistant Chief Executive (01/01/2022 - 31/03/2022)	33,069	-	-	-	6,383	39,452

Salary costs for the Director of Corporate Operations and the Director of HR, Organisational Development and Communications and Engagement are partly funded from partnership income. This also applied to the Deputy Chief Executive and Director of Corporate Resources up to 18 July 2021. In addition, offset against the salary costs of the Director of Children's Services and the Director of Public Health are contributions from the Isle of Wight Council as part of the County Council's partnership agreement.

2020/21 has been restated to include the Director of Public Health on the same basis, as they had not been included in the note published previously.

Senior employees 2020/21	Salary, (Including fees and allowances) £	Expense Allowances £	Benefits in Kind £	Compensation for Loss of Office £	Pension contribution £	Total remuneration including pension contributions £
Chief Executive						
John Coughlan	231,115	-	-	-	299,646	530,761
Deputy Chief Executive and Director of Corporate Resources						
Carolyn Williamson	196,719	-	-	-	-	196,719
Director of Children's Services						
Steve Crocker	163,575	-	-	-	30,098	193,673
Director of Adults' Health & Care						
Graham Allen	163,575	-	-	-	30,098	193,673
Director of Economy, Transport and Environment						
Stuart Jarvis	154,774	-	-	-	-	154,774
Director of Community, Culture and Business Services						
Felicity Roe	154,774	-	-	-	28,478	183,252
Director of Public Health	123,025	-	-	-	22,637	145,662
Director of Transformation and Governance and Deputy Director of Adults' Health and Care	140,426	-	-	-	25,838	166,264
Assistant Chief Executive	105,779	-	-	-	19,463	125,242

The pension contribution shown for the Chief Executive relates to the discharge of a contractual commitment in respect of his pension benefits.

8c Exit Packages

The exit package cost includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The information for 2020/21 has been restated to add pension contributions in respect of added years, ex-gratia payments and other departures costs. Exit packages relating to employees in Hampshire County Council maintained schools have also been added to the Schools 2020/21 restated note. In total these changes have increased the number of exit packages for Schools by 83 and for Non-schools by 74, and increased the total cost of exit packages by £611,000 for Schools and £1,381,000 for Non-schools

Schools 2020/21 (restated)

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total redundancy costs in each band £'000
£0-£40,000	42	41	83	485
£60,001-£80,000	2	0	2	151
	44	**41**	**85**	**636**

Non-schools 2020/21 (restated)

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages	Total redundancy costs in each band £'000
£0 - £20,000	23	128	151	733
£20,001 - £40,000	0	10	10	267
£40,001 - £60,000	0	5	5	237
£60,001 - £80,000	0	2	2	151
£80,001 - £100,000	0	2	2	165
£100,001 - £200,000	0	5	5	620
	23	**152**	**175**	**2,173**

Schools 2021/22

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages	Total redundancy costs in each band £'000
£0 - £20,000	54	74	128	707
£20,001 - £40,000	5	4	9	260
£40,001 - £80,000	3	1	4	220
	62	**79**	**141**	**1,187**

Non-schools 2021/22

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages	Total redundancy costs in each band £'000
£0 - £20,000	21	76	97	397
£20,001 - £40,000	4	9	13	352
£40,001 - £60,000	0	4	4	203
£60,001 - £80,000	1	1	2	133
£80,001 - £100,000	0	2	2	181
£100,001 - £150,000	0	3	3	348
£200,001 - £250,000	0	2	2	458
Total number of packages	**26**	**97**	**123**	**2,072**

9 Members’ allowances

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

2020/21 £'000		2021/22 £'000
1,395	Allowances	1,386
16	Expenses	38
1,411	**Total**	**1,424**

10 External Audit fees

Fees charged by the County Council's external auditor can be analysed as follows:

2020/21 £'000		2021/22 £'000
90	Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	90
68	Fees payable to the appointed auditor for services over and above those for external audit services	68
8	Grant Claims audited by other audit firms	6

11 Nature of Expenses

The Cost of Services includes the following items of income and expenditure:

2020/21 £'000		2021/22 £'000	Note
667,886	Employee Benefit Expenses - schools	716,880	a
489,855	Employee Benefit Expenses - other	548,133	a
1,178,929	Other Service Expenses	1,168,242	b
188,662	Depreciation and Impairment	225,094	c
2,525,332	**Total Expenditure**	**2,658,349**	
(1,340,566)	Grants, contributions and reimbursements	(1,344,900)	
(147,317)	Fees, charges and other service income	(181,098)	12
(1,487,883)	**Total Income**	**(1,525,998)**	
1,037,449	**Net Cost of Services**	**1,132,351**	

a) Employee benefit expenses include pay, employer national insurance contributions, employer pension contributions and other employee benefits. Accounting adjustments are then made under IAS19 so that the expenditure in the CIES reflects the current service cost of the benefit granted in the period, rather than the payments made.

b) Other service expenses includes costs relating to premises, transport, supplies and services. An accounting adjustment is made so that the charge to the CIES also includes revenue expenditure funded by capital under statute (REFCUS).

c) Depreciation and impairment charges are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

12 Income received from external customers

2020/21 £'000		2021/22 £'000
(67,744)	Adults & Health	(74,136)
(20,771)	Schools	(43,197)
(1,937)	Children's Services Non-Schools	(3,596)
(17,760)	Economy, Transport & Environment	(19,238)
(31,258)	CCBS	(33,618)
(4,269)	Corporate Services & Other Corporate	(4,469)
(3,578)	Other items not allocated to services	(2,844)
(147,317)	**Total income from external customers analysed by service**	**(181,098)**

13 Related party transactions

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosing these shows the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grant receipts are shown in note 6.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in note 9. Before every decision making meeting, members are required to disclose any conflicts of interest. There were 16 related party transactions totalling £17,379 arising from disbursements from members' devolved budgets. A protocol is in place for payments to a related party to be counter signed by a member other than the budget-holding member.

Officers

There were no related-party transactions involving chief officers of the Council. Details of senior officer remuneration are given in note 8.

Limited Companies

Hampshire County Council owns a 51% share in the Reading Hampshire Property Partnership Ltd (RHPP), which commenced operations on 1 April 2014. This is a public to public venture, based on the Teckal principal, to provide property services to Reading Borough Council. The Board of Directors is made up of two Assistant Directors from Hampshire County Council and two from Reading Borough Council. The turnover during 2021/22 was £2.1 million (£1.4 million 2020/21).

The County Council is an equal partner with Basingstoke and Deane Borough Council in the Manydown Garden Communities Limited Liability Partnership (MGCLLP) which was first registered on 6 August 2018. MGCLLP has been set up to act on behalf of the two councils in the Manydown development. http://manydownbasingstoke.co.uk/
MGCLLP will own and manage the land interests until they are transferred to end owner occupiers. Transactions in 2020/21 totalled £0.2m for administrative and professional fees.

The County Council has a 50% share of Hampshire & Kent Commercial Services LLP incorporated on 1 November 2018. This joint operation commenced operations on 1 April 2019 for the purposes of creating a new agency staff solution primarily for Hampshire and Kent County Councils. During 2021/22, Hampshire County Council purchased agency staff to the value of £30 million (£26.6 2020/21) and this expenditure is included in the consolidated income and expenditure statement. The estimated net profit of the partnership for the year is £503,100 (subject to audit). The Authority's share of the dividend is expected to be £251,550.

Other Public Bodies

The County Council administers the Hampshire Pension Fund on behalf of its non-teaching employees and those of other local authorities in the county area. There are a total of 350 contributing scheduled, admitted, community admission, transferee admission, and resolution bodies in the Pension Fund (337 in 2020/21). The County Council's administration charge to the Pension Fund in 2021/22 was £3.1 million (£3.0 million in 2020/21).

14 Collaborative Arrangements and Group Accounts

In accordance with the Code of Practice the County Council has carried out an assessment of its interests in other entities to determine the nature of any group relationships that exist. This includes an assessment of the extent of the County Council's control over the entity considered either through ownership (such as shareholding) or representation on an entity's board of directors. The main interests held by the County Council in other entities are detailed below. However, none are considered material and thus the production of group accounts is not required.

The County Council has pooled budget arrangements with NHS bodies and joint working agreements with Hampshire Constabulary, Hampshire Fire and Rescue Service, Oxfordshire County Council, Westminster City Council, London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea. These involve joint use of the assets and resources of each organisation rather than the establishment of a separate entity. The County Council recognises the assets that it controls and the liabilities that it incurs on its Balance Sheet, and the expenditure it incurs and the share of income it earns from the activity of the operation on its Comprehensive Income and Expenditure Statement.

The County Council owns a 51% share of the Reading Hampshire Property Partnership Limited which was formally incorporated on 4 March 2014 with Companies House. This is a joint public to public venture entirely owned by Hampshire County Council and Reading Borough Council and is limited by shares. It commenced operations in April 2014 and its financial impact on the County Council is anticipated to be immaterial following the elimination of intragroup transactions.

The County Council has a 50% share of the Manydown Community Gardens Limited Liability Partnership (LLP) incorporated on 6 August 2018. This joint venture with Basingstoke and Deane Borough Council has been set up to act on behalf of the two councils on the Manydown development. Transactions in 2020/21 totalled £0.2m for administrative and professional fees. The County Council's 50% share of this total is not material.

The County Council has a 50% share of Hampshire & Kent Commercial Services LLP incorporated on 1 November 2018. This joint operation commenced operations on 1 April 2019 for the purposes of creating a new agency staff solution primarily for Hampshire and Kent County Councils. The estimated net profit of the partnership for the year is £503,100 (subject to audit).

The County Council is the accountable body for the funding of the Enterprise EM3 Local Enterprise Partnership (EM3 LEP). The EM3 LEP will either grant or loan funds to organisations in the private and public sectors to generate economic growth in the local area. The Government now expects all LEPs to have put "into place appropriate arrangements for the proper use and administration of funding, building on the existing local government systems and which fall under the annual audit of the local authorities accounts". The accountable local authority is also deemed to have "responsibility for the decisions of the LEP in approving projects (for example if subjected to legal challenge)". The County Council has therefore included the EM3 LEP's income, expenditure, assets and liabilities in its accounts.

The County Council is corporate trustee or the designated treasurer for a number of trust funds. These are not disclosed in the accounts as they have no effect on the financial performance or position of the County Council.

15 Structured entities – Hampshire Cultural Trust

From November 2014 the County Council's Arts and Museums Service transferred to an independent charitable trust, the Hampshire Cultural Trust. It has been funded by grants from Hampshire County Council, local district and borough councils, central government bodies such as the Arts Council and by individual donations.

The County Council does not have a controlling influence over the Trust, and therefore will not consolidate into group accounts. However, Hampshire Cultural Trust requires the use of assets retained by the County Council to operate the arts and museums service and is therefore being accounted for as a structured entity.

The County Council has planned a level of revenue grant funding with the trust for the next 3 years totalling £7.5 million.

Hampshire Cultural Trust Nature of risks

The maximum exposure to loss from the Trust is the annual grant paid to the Trust for services not yet delivered. At 31 March 2022 the exposure to risk was nil as the service had been received. Future risk is minimised by the terms within the Management and Funding Agreement between the County Council and the Trust.

2020/21 £'000		2021/22 £'000
46,527	Operational land and buildings retained by the County Council and used by the Trust	55,444
2,886	Community assets retained by the County Council and used by the Trust	2,886
	Collections of heritage assets retained by the County Council and managed by the Trust (not valued as explained in note 19)	
(2,309)	Annual County Council revenue grant provided to the Trust	(2,315)
(3,146)	Other unrestricted income received by the Trust	(3,840)
5,147	Unrestricted expenditure by the Trust	6,077
(1,778)	Trusts' unrestricted reserves	(1,836)

16 Capital financing

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

Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table (including the value of assets acquired under finance leases and expenditure of the EM3 Local Enterprise Partnership), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2020/21 £'000		2021/22 £'000
783,477	*Opening capital financing requirement*	776,456
	Capital investment:	
149,675	Capital spending on property, plant and equipment	143,705
92,029	Revenue expenditure funded by capital under statute	42,631
0	Loans advanced for capital expenditure	0
10,000	Pooled Investment Property Fund	0
1,035,181		962,792
	Funded by:	
(6,767)	Capital receipts	(17,502)
(217,540)	Grants and other income	(196,998)
	Revenue contributions to capital outlay	
(12,915)	- main contribution	(11,319)
(4,747)	- reserves	3,513
(16,756)	Minimum revenue provision	(27,646)
776,456	**Closing capital financing requirement**	**712,840**
	Explanation of movements in year	
(357)	Increase/(decrease) in borrowing (supported by government financial assistance)	(5,411)
1,298	Increase/(decrease) in borrowing (unsupported by government financial assistance)	21,686
(7,962)	Increase/(decrease) in borrowing related to PFI contracts	(12,412)
(7,021)	**Increase/(decrease) in Capital Financing Requirement**	**3,863**

Revenue expenditure funded from capital under statute

Legislation allows some expenditure (such as grants to external organisations for capital purposes and spending on buildings not owned by the County Council) to be funded from capital resources. Such expenditure is not carried on the Balance Sheet and is charged to the Income and Expenditure Statement in the year it is incurred. However, so that it does not impact on the year’s council tax, an adjustment is made in the Movement in Reserves Statement.

Minimum Revenue Provision

Minimum Revenue Provision (MRP) is the minimum amount the County Council must charge to its revenue account to provide for the repayment of debt.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 requires the County Council to determine for the current financial year an amount of MRP which it considers to be prudent. In calculating MRP the County

Council is required by the Local Government Act (2003) to have regard to guidance issued by the Secretary of State. The relevant guidance for 2021/22 was issued by the MHCLG in 2018. Under this guidance, the County Council's agreed policy is to charge MRP on a straight line basis on supported borrowing from 2008 based on the capital financing requirement at the start of the financial year, where supported borrowing refers to historical borrowing prior to 2008 that was originally supported by grant income rolled into Revenue Support Grant.

This policy was implemented in 2015, therefore the actual supported borrowing MRP was based on 43 remaining years. Had the County Council been applying the new policy on a 50 year straight line calculation starting in 2008 it would have made £68m less in MRP payments by 31 March 2016. Starting in 2016/17 the County Council paused making MRP payments on supported borrowing until it had realigned the total amount of MRP payments with the new policy, which happened during 2021/22. This policy continues the County Council's prudent approach of repaying expenditure financed by borrowing sooner, on a straight line basis.

For unsupported borrowing incurred after 1 April 2008, the County Council's policy is to apply the asset life or depreciation methods provided by the guidance. MRP charges commence in the financial year following the one in which the capital expenditure was incurred. Where the borrowing is in effect a bridging loan from a guaranteed future income source, such as Section 106 Developers Contributions, MRP will not be applied. For deferred liabilities relating to PFI and service concessions, minimum revenue provision will match the principal repayment of the associated deferred liability over the life of the related asset.

17 Leases

Leases are arrangements that convey the right to use an asset in return for a payment or series of payments even if the arrangement does not take the legal form of a lease. Leases are classified as either finance leases or operating leases. A finance lease is any arrangement where substantially all of the risks and rewards, incidental to ownership of the asset, transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risks and rewards are classified as operating leases.

Where an arrangement includes both land and buildings, the land and buildings elements are considered separately for classification and, in general, leases of land are considered to be operating leases.

Lease classifications are determined individually by carrying out a number of qualitative and quantitative tests and then making a judgement based on the overall outcomes of the tests. For the purposes of lease classifications a de minimis level is used of £500,000.

At 31 March 2022 the County Council has not taken or granted any finance leases over the de minimis level of £500,000.

17a The County Council as lessee:

Operating Leases - Where the County Council leases a material asset under an operating lease the asset is not recognised in the balance sheet. Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services that benefit from use of the leased asset. Charges are made on a straight-line basis over the life of the lease.

Some property, items of equipment and vehicles are used by entering into operating leases. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.33 million (£3.23 million in 2020/21).

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

2020/21 £'000		2021/22 £'000
3,400	Not later than one year	2,310
5,802	Later than one year and not later than five years	5,494
9,598	Later than five years	8,831
18,800	**Total payments**	**16,635**

17b The County Council as lessor:

Operating Leases

The County Council leases out property under operating leases for the provision of community services, such as community centres and for economic development purposes to provide suitable affordable accommodation for local businesses. The asset is retained in the Balance Sheet. Rentals receivable are credited to the relevant service area in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease and totalled £5.1 million in 2021/22 (£4.7 million in 2020/21).

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

2020/21 £'000		2021/22 £'000
4,509	Not later than one year	5,084
11,524	Later than one year and not later than five years	12,960
53,210	Later than five years	54,529
69,243	**Total future minimum lease payments**	**72,573**

18 PFI and service concessions

PFI and similar contracts are agreements to receive services, where the PFI contractor is responsible for making available the property, plant and equipment needed to provide the services. As the County Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the

County Council at the end of the contracts for no additional charge, the County Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a deferred liability on the balance sheet for amounts due to the scheme operator to pay for the capital investment. During the life of the assets, any enhancement or replacement costs are added to the asset value and PFI liability.

The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement

- principle repayment – applied to write down the Balance Sheet liability.

18a The South Coast Street Lighting PFI

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

The Hampshire Street Lighting PFI involved the replacement or updating of approximately 150,000 street lights, illuminated signs and bollards with the latest energy efficient equipment during the first five years of the project. The long-term contract with Tay Valley Lighting (Hampshire) will run for 25 years, from 1 April 2010, and will also provide for the ongoing maintenance of the council's street lighting network until 2034/35.

The five year Core Investment Period (CIP), commenced in 2010 and has now been delivered in full, with some 143,200 items of illuminated street furniture replaced or upgraded with modern, energy efficient equipment. The combination of modern energy efficient equipment, combined with the Mayflower remote monitoring system has enabled HCC to make energy savings of 51% over the period of the project to date. The focus for the remaining period of the contract is on maintaining and operating the new lighting to a high standard, with HCC's monitoring team verifying project delivery and operations. After March 2035 the risks relating to street lighting revert to the County Council. There are no options for contract renewal.

Following completion of the CIP, Equitix (the senior lender), in partnership with HCC, has achieved a refinancing annual gain-share of £190,450 per annum effective from April 2017. This reduction has been reflected in the future expected payments under the contract as a reduced interest charge. Other changes to the annual cost are determined by inflation and amendments to the inventory. The movement in the asset values were as follows:

2020/21 £'000	Gross book value	2021/22 £'000
127,810	At 1 April	127,810
-	Additions	-
	Disposals	-
-	Revaluations	-
127,810	Gross book value at 31 March	127,810
	Depreciation	
(28,029)	At 1 April	(32,289)
(4,260)	Depreciation for the year	(4,260)
-	Impairments	-
(32,289)	Depreciation at 31 March	(36,549)
99,781	Net book value at 1 April	95,521
95,521	**Net book value at 31 March**	**91,261**
	The movement in the deferred liability was:	
(99,894)	Balance brought forward 1 April	(95,551)
	Adjustment to opening balance (note i)	5,244
4,343	Principal repayment in the year	3,373
-	Capital expenditure incurred in the year	-
(95,551)	**Balance at 31 March**	**(86,934)**
(4,597)	Finance lease repayable in one year	(3,689)
(90,954)	deferred liability	(83,245)
(95,551)		**(86,934)**

Note i - The adjustment to opening balances relates to a recalculation of the model used to allocate the payment made between interest and principal. This has no impact on the cash payments made but means that expenditure previously recognised as interest charges has been reclassified to instead reduce the value of the outstanding liability.

The street lighting contract has 13 years to run. The expected payments are shown in the following table:

	Principal repayment £'000	Interest £'000	Contingent Rental £'000	Service Charge £'000	Total £'000
Next year	3,689	7,933	1,361	5,643	18,627
Years two to five	18,565	28,035	6,733	24,058	77,390
Years six to 10	34,870	23,718	11,590	33,321	103,498
Years 11 to 13	29,810	5,603	8,836	21,638	65,888
	86,934	**65,289**	**28,520**	**84,660**	**265,403**

A PFI grant of £9 million from the Department of Transport was received by the County Council in 2021/22 with a balance of £122 million due to be received over the remainder of the contract. This grant is expected to be applied to offset the capital and financing costs built into the annual fee.

Energy for street lighting is provided through a separate contract. Estimated costs over the remainder of the contract are expected to be £92 million.

18b Project Integra

An existing contract for waste management meets the definition of a service concession. The contract with Hampshire Waste Services Ltd (a wholly owned subsidiary of Veolia UK) is administered by the County Council on behalf of Portsmouth and Southampton unitary authorities who are joint signatories. The contract began in January 1996 and runs until 31 December 2030.

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

The contract has three phases. During phases 1 and 2 the contractor planned, financed and constructed the three Energy Recovery Facilities, two Material Reprocessing Facilities and two composting sites. The contract is currently in Phase 3a covering the provision of waste disposal services in relation to the constructed facilities ending in 2030. The contract price mechanism is structured with an annual re-pricing each January linked to the retail price index in the previous October. During 2015/16 a Deed of Variation to the contract was completed. This delivered savings of £2.4 million per year from 2015 and has increased to savings of £4.9 million per year from 2018.

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

The County Council’s apportionment of the waste disposal assets, constructed under the contract, is included in the balance sheet together with a deferred liability to pay for the assets over the life of the contract

The movement in the asset values during the year were as follows:

2020/21 £'000	Gross book value	2021/22 £'000
80,469	At 1 April	80,469
-	Additions	-
-	Disposals	-
	Revaluations	
80,469	Gross book value at 31 March	80,469
	Depreciation	
(9,485)	At 1 April	(14,850)
(5,365)	Depreciation for the year	(5,365)
-	Impairments	-
	Revaluations	
(14,850)	Depreciation at 31 March	(20,215)
70,984	Net book value at 1 April	65,619
65,619	**Net book value at 31 March**	**60,254**
	The movement in the deferred liability was:	
(49,540)	Balance brought forward 1 April	(45,921)
3,619	Principal repayment in the year	3,795
(45,921)	**Balance at 31 March**	**(42,126)**
(3,795)	Finance lease repayable in one year	(3,980)
(42,126)	deferred liability	(38,146)
(45,921)	**Balance at 31 March**	**(42,126)**

The waste management contract has 9 years to run. Based on the current contract inflation rate, the expected payments are shown below.

	Principal repayment £'000	Interest £'000	Service Charge £'000	Total £'000
Next year	3,980	2,049	49,095	55,124
Years two to five	17,951	6,165	231,589	255,705
Years six to nine	20,195	2,407	300,395	322,997
	42,126	**10,621**	**581,079**	**633,826**

19 Property, plant and equipment (PPE)

Assets that have a physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE assets is capitalised on an accruals basis. Expenditure that maintains, but does not extend, the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to the relevant service area within the Comprehensive Income and Expenditure Statement as it is incurred.

Measurement

PPE assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational Land and Buildings - current value, determined as the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Assets valued at under £10,000 are not recognised as they do not add to the future economic benefits or service potential of the Council.
- Surplus Land and Buildings – at fair value in highest and best use, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- Vehicles, Plant and Equipment are measured at depreciated historical cost (as this is not materially different from the current value).
- Infrastructure Assets are measured at depreciated historical cost.
- Community Assets and Assets Under-Construction are measured at historical cost.

PPE assets included in the Balance Sheet at fair value or current value (i.e. land and buildings) are re-valued where there have been material changes in the value, but as a minimum every five years. The freehold and leasehold properties of the County Council's property portfolio have been valued under a rolling programme by the County Council's property services staff. Valuations were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. For assets not included in the current year’s valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices.

Increases in valuations are matched by credits to the Asset Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the relevant service area within the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to the service area. The Asset Revaluation Reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date form part of the Capital Adjustment Account.

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of the gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The County Council has chosen to utilise the Temporary Relief offered by the Update to the Code on infrastructure assets because:

- The County Council considers the highways network an inalienable asset, as there is no prospect of sale or alternative use, and value is only derived through its continued use.
- There are historical information deficits for a number of reasons, including various changes to accounting requirements since the 1990s reflected in updates to the CIPFA Code of Practice in addition to the impact of local government reorganisation and the associated transfer of assets.
- Infrastructure assets are measured using depreciated historical cost, with the carrying amount of any replaced or restored part of the asset assumed to be zero. The County Council has not had sufficient resources to replace assets before they have reached the end of their useful life.
- The historical information deficit coupled with the assumption that replaced assets will always have reached the end of their useful life before replacement creates issues in confirming gross book value and accumulated depreciation figures that faithfully represent these figures to users of the financial statements and therefore also in providing auditable evidence. By applying the temporary relief, the County Council does not have to disclose gross book value or accumulated depreciation figures for its infrastructure assets.
- The assumption that the carrying amount of any replaced or restored part of the asset is zero relates to the gross book value and accumulated depreciation figure for the asset. It means that any over/understatement of gross book value caused by historical information deficits would be offset by an equal and opposite amount for accumulated depreciation and therefore has no impact on the carrying amount (net book value) of the asset that is reported on the balance sheet.
- Applying the temporary relief therefore has no impact on the carrying value (net book value) shown in the balance sheet.
- The County Council therefore believes that by applying the temporary relief the numbers presented in this disclosure note provide a more faithful representation of

the asset position to users of the accounts and, as the net book value is not affected, should not adversely affect the decision making of users of the financial statements
- The carrying value of the asset on the balance sheet does not impact the County Council’s decision making as it is not used to inform the capital or revenue budgets (and nor therefore the council tax requirement), nor does it impact the work of the County Council’s Highways team in assessing the condition of the highways network and the amounts required to maintain and enhance the network to maintain it to the relevant safety requirements.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 (regulation 30M) states that where a local authority replaces a component of an infrastructure asset, for the purposes of determining the carrying amount to be derecognised in respect of that component, it may determine the relevant amount as nil and that it must include a note to that effect in its statement of accounts. This is what the County Council has done. This regulation also states that, when preparing a statement of accounts to which this regulation applies, a local authority is not required to make any prior period adjustment to the balances of that statement of accounts in respect of infrastructure assets.

Impairment

Decreases in value (due to either physical impairment or market prices) are either charged to the Asset Revaluation Reserve (to the extent that it has any balance relating to the specific asset) or to the relevant service area within the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. However, revaluation losses and subsequent reversals are not permitted by statutory arrangements to impact on the General Fund Balance and therefore any gains or losses are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.

Depreciation

Depreciation is provided for on all PPE assets with a determinable and finite life by allocating the value of the asset in the Balance Sheet over their useful lives. An exception is made for assets without finite lives (e.g. land and community assets), assets that are not yet available for use (e.g. assets under construction) and assets held for sale.

The accounting standard IAS16 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. However, where parts of the item are individually not significant and there are varying expectations for these parts, approximation techniques may be necessary to depreciate them in a manner that faithfully represents the consumption pattern and/or useful life of its parts. For building assets, the County Council uses a weighted average of all components rather than depreciating components separately. The difference in the depreciation calculated is not material.

Depreciation commences in the year after the year of acquisition and a full year's depreciation is charged in the year of disposal, except for vehicles disposed of in the first six months of a financial year when no depreciation is charged in the final period. Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer *
- Furniture and equipment – between five and 10 years
- Vehicles - between five and 10 years
- Infrastructure – 20 years
- Street lighting – 30 years

* The useful life of a building is the weighted average of all its components. Where material, replaced components are derecognised by disposing of their gross book value and accumulated depreciation.

Depreciation is charged to the relevant revenue service area within the Comprehensive Income and Expenditure Statement. However, depreciation charges are not permitted by statutory arrangements to have an impact on the General Fund Balance and therefore all depreciation charges are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.

Where assets have been re-valued, the revaluation gains held in the Asset Revaluation Reserve are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged, based on their historic cost, being transferred each year from the Asset Revaluation Reserve to the Capital Adjustment Account.

Disposals and assets held for sale

When a material PPE asset is to be disposed of, and meets all of the criteria of an asset held for sale, it is reclassified as Assets Held for Sale. If the carrying amount at the time of reclassification is higher than the fair value less costs to sell the asset, then the asset held for sale will be impaired. This impairment is charged to other costs in the Comprehensive Income and Expenditure Statement. Assets that are being abandoned, scrapped or have fully depreciated are written out without being reclassified.

When the asset is disposed of, decommissioned, the carrying value of the asset is written out to the Other Operating Income and Expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the Asset Revaluation Reserve are written out to the Capital Adjustment Account by way of a transfer between the accounts.

Amounts received in excess of £10,000 are categorised as capital receipts and are credited to the other operating expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. They are then appropriated to the Capital Receipts Reserve from the General Fund Balance within the Movement in Reserves Statement and then can only be used for new capital investment or set aside to reduce the County Council's underlying need to borrow (the capital financing requirement).

School Assets

The County Council has foundation, voluntary aided schools (VA schools) and voluntary controlled schools (VC schools). The County Council owns some of the assets in relation to these schools but some of the assets are owned and controlled by another party (e.g. the diocese). The County Council recognises the value of the assets it owns in relation to VA schools in the Balance Sheet. All assets of Foundation and VC schools are recognised by the County Council, even those it does not own, as the County Council controls the service and economic potential of these assets. The property, plant and equipment assets of foundation trust schools are controlled by the Trust and are not included in the County Council's Balance Sheet.

Details on the different types of schools in Hampshire can be found on the government website: https://get-information-schools.service.gov.uk/

Heritage assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are maintained principally for their contribution to knowledge and culture. The principal heritage assets owned by the County Council are its museum collections, archives collection and a small number of historic buildings and archaeological sites. Since 1 November 2014, the County Council's museum collection is managed by the Hampshire Cultural Trust

It is the County Council's opinion that due to the size and variety of the museum and archives collection and the fact that many of the items are unique and irreplaceable, it is not possible to obtain a fair value at a cost commensurate to the benefit derived by the users of the accounts. The historical cost of buildings and archaeological sites, where known, is not material. Therefore, asset values are not included in the balance sheet, but details of heritage assets are given in the notes to the accounts.

The County Council also owns a number of operational heritage assets that, in addition for being held for their contribution to knowledge and culture, are also used for other activities or to provide other services. Operational heritage assets are accounted for as operational assets and valued in the same way as other assets of that type.

Detailed information about the County Council's Heritage assets can be found on the Hampshire Cultural Trust and Hampshire Archives websites:

https://hampshireculturaltrust.org.uk/

https://www.hants.gov.uk/librariesandarchives/archives

Intangible assets

Intangible assets are assets which bring benefits for more than one year, are identifiable and controlled by the County Council, but lack physical substance. Typical examples include software licences, and websites developed to deliver services rather than information about services. The County Council does not have any material intangible assets.

Property, Plant and Equipment (PPE)

The movements in property plant and equipment during 2021/22 were as follows:

Cost or valuation	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets under construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2021	**3,739,053**	**86,489**	**16,676**	**83,498**	**22,887**	**3,948,603**	**208,279**
Additions in year	51,909	4,067	259	87,470		**143,705**	0
Donations	0	0	0	0	0	**0**	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,622	0	0	0	(3,056)	**14,566**	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(20,910)	0	0	0	(2,336)	**(23,246)**	0
Derecognition - Disposals	(9,233)	(15,450)	0	0	(3,149)	**(27,832)**	0
Derecognition - Other	(12,039)	(110)	0	0	0	**(12,149)**	0
Assets reclassified to held for sale	(4,530)	0	0	0	0	**(4,530)**	0
Other movements in cost or valuation	32,818	0	0	(43,089)	(333)	**(10,604)**	0
At 31 March 2022	**3,794,690**	**74,996**	**16,935**	**127,879**	**14,013**	**4,028,513**	**208,279**
Accumulated depreciation and Impairment							
At 31 March 2021	**(386,870)**	**(40,397)**	**(242)**	**0**	**(4,033)**	**(431,542)**	**(47,139)**
Depreciation Charge	(92,226)	(9,387)	0	0	(282)	**(101,895)**	(9,625)
Depreciation written out on revaluation	100,103	0	0	0	2,998	**103,101**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	415	0	0	0	0	**415**	0
Impairment losses recognised in the Revaluation Reserve	(21,242)	0	0	0	(408)	**(21,650)**	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(14,030)	0	0	0	(2,079)	**(16,109)**	0
Derecognition - Disposals	4,762	12,342	0	0	2,549	**19,653**	0
Derecognition - Other	2,760	53	0	0	0	**2,813**	0
Assets reclassified to held for sale	150	0	0	0	0	**150**	0
Other movements in depreciation and impairment	66	0	0	0	(57)	**9**	0
At 31 March 2022	**(406,112)**	**(37,389)**	**(242)**	**0**	**(1,312)**	**(445,055)**	**(56,764)**
Net Book Value							
At 31 March 2022	**3,388,578**	**37,607**	**16,693**	**127,879**	**12,701**	**3,583,458**	**151,515**

Highways Network Infrastructure Assets

Movement on balances	2020/21	2021/22
	£'000	£'000
Net Book Value (Modified Historical Cost) at 1 April	**896,533**	**916,219**
Additions	63,110	67,479
Derecognition	0	0
Depreciation	(52,841)	(56,468)
Impairment	0	0
Other movements in cost	9,417	10,478
Net Book Value as at 31 March	**916,219**	**937,708**

Reconciling note to the PPE value shown on the Balance Sheet

	31 March 2021	31 March 2022
	£'000	£'000
Highways Network Infrastructure assets	916,219	937,708
Other PPE	3,517,061	3,583,458
Total PPE	**4,433,280**	**4,521,166**

The comparative movements in PPE during 2020/21 were as follows:

Cost or valuation	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	3,860,927	87,601	1,361,505	16,187	40,464	21,886	5,388,570	208,279
Adjustment to opening balance (i)	(78,497)	0	0	0	0	0	(78,497)	0
Revised value as at 31 March 2020	3,782,430	87,601	1,361,505	16,187	40,464	21,886	5,310,073	208,279
Additions in year	14,066	6,286	63,110	489	65,710	12	149,673	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(28,035)	0	0	0	0	546	(27,489)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(26,953)	0	0	0	0	(586)	(27,539)	0
Derecognition - Disposals	(1,034)	(7,309)	0	0	0	(286)	(8,629)	0
Derecognition - Other	(14,935)	(89)	0	0	0	0	(15,024)	
Assets reclassified to held for sale	(300)	0	0	0	0	0	(300)	0
Other movements in cost or valuation	13,814	0	9,417	0	(22,676)	1,315	1,870	0
At 31 March 2021	3,739,053	86,489	1,434,032	16,676	83,498	22,887	5,382,635	208,279
Accumulated depreciation and Impairment								
At 31 March 2020	(448,113)	(38,242)	(464,972)	(242)	0	(4,257)	(955,826)	(37,514)
Adjustment to opening balance (i)	78,497	0	0	0	0	0	78,497	0
Revised value as at 31 March 2020	(369,616)	(38,242)	(464,972)	(242)	0	(4,257)	(877,329)	(37,514)
Depreciation Charge	(94,402)	(9,521)	(52,841)	0	0	(184)	(156,948)	(9,625)
Depreciation written out on revaluation	97,685	0	0	0	0	804	98,489	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,839	0	0	0	0	86	5,925	0
Impairment losses recognised in the Revaluation Reserve	(15,379)	0	0	0	0	0	(15,379)	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(12,787)	0	0	0	0	0	(12,787)	0
Derecognition - Disposals	212	7,302	0	0	0	37	7,551	0
Derecognition - Other	1,628	64	0	0	0	0	1,692	0
Assets reclassified to held for sale	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	(50)	0	0	0	0	(519)	(569)	0
At 31 March 2021	(386,870)	(40,397)	(517,813)	(242)	0	(4,033)	(949,355)	(47,139)
Net Book Value								
At 31 March 2021	3,352,183	46,092	916,219	16,434	83,498	18,854	4,433,280	161,140

note i) The adjustment to 2020 opening balances is a restatement of £78.497m identified as part of the 2021/22 audit and relates to the removal of assets with a nil Net Book Value that had been transferred to academy schools upon their conversion to academy status but were incorrectly retained on the balance sheet of Hampshire County Council. The adjustment relates to the period prior to 2017/18 and has no impact on the NBV of the assets or any other sections of the accounts.

19a Capital commitments

Commitments for major contracts entered into up to 31 March 2022 are estimated at £28.2 million (£58.1 million in 2020/21). This includes £18.0 million (£29.6 million in 2020/21) for highways and £9.9 million (£25.6 million in 2020/21) for buildings.

20 Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between separate and knowledgeable parties. Further information on asset valuations is included in note 30.
Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The same treatment is applied to gains and losses on disposal.

Material rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

2020/21 £'000		2021/22 £'000
100,831	Balance at start of the year	105,147
	Additions:	
0	- purchases	0
0	- construction	0
2	- subsequent expenditure	0
(73)	Disposals	(9,180)
5,688	Net gains/(losses) from fair value adjustments	49,218
	Transfers:	
(1,301)	- (to)/from Property, Plant and Equipment	117
105,147	**Balance at end of the year**	**145,302**

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

21 Valuation of non-financial assets carried at fair value

Fair Value Hierarchy

Information about the fair value hierarchy levels for investment and surplus properties are as follows:

Values at 31 March 2022	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	significant unobservable inputs Level 3 £'000	Total £'000
Investment Assets	65	141,730	3,507	145,302
Surplus Assets		12,250	451	12,701
Total	**65**	**153,980**	**3,958**	**158,003**

Valuation Techniques used to Determine Level 2 and 3 Fair Values

Significant Observable Inputs - Level 2
The fair value for the properties within level 2 has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs - Level 3
The fair value for the properties within level 3 has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets, but with a level of valuer judgement as the recent sales prices and other relevant information are not as significant as with Level 2. This results in more significant unobservable inputs being used in order to determine the fair value.
The assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

22 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants do not give rise to financial instruments. Financial instruments are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into one of three categories dependent on both:

- the reason the authority is holding the asset (e.g. to collect the contractual cash flows until maturity and / or to sell before maturity); and
- the nature of the asset’s contractual cash flows (e.g. just principal and interest or something more complicated).

The classification categories are set out in the following table:

Reason for holding the asset	Nature of the contractual cash flows	Classification category
Holding assets in order to collect contractual cashflows	Solely payments of principal and interest	Amortised Cost
Holding assets in order to collect contractual cashflows as well as selling the assets	Solely payments of principal and interest	Fair value through other comprehensive income
Holding assets that do not fall into either of the above categories	Not solely payments of principal and interest	Fair value through profit and loss

All financial assets are initially measured at fair value and recognised on the balance sheet. How the financial assets are subsequently measured, and how unrealised gains or losses are shown in the accounts is dependent on what category the asset has been classified as.

Classification category	Subsequent measurement basis	Presentation of unrealised gains & losses
Amortised Cost	Amortised Cost	A disclosure note
Fair Value through Other Comprehensive Income (FVOCI)	Fair Value	The 'Other comprehensive income' section of the Comprehensive Income & Expenditure Statement (CIES)
Fair Value through Profit & Loss (FVPL)	Fair Value	The 'Financing and investment income & expenditure' section of the CIES.

A financial asset is derecognised from the Balance Sheet when the contractual rights to the cash flows expire, or the financial asset is transferred.

Interest or dividends are credited to the Financing and Investment Income and Expenditure line in the CIES. Dividends are credited when they become receivable by the authority. Interest income is credited based on the amortised cost of the asset multiplied by its effective interest rate.

Financial liabilities

All financial liabilities are classified as subsequently measured at amortised cost. This means they are initially measured at fair value before subsequently being measured at amortised cost. The amount presented in the Balance Sheet is therefore the outstanding principal repayable (plus accrued interest);

Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The amount payable each year therefore matches to the loan agreement.

Impairment of Financial Instruments – Expected Credit Loss (ECL) model

At each reporting date, using reasonable and supportable forward-looking information that is available without undue cost or effort, an authority shall assess whether the risk of default occurring over the life of the financial instrument has increased significantly since it was initially recognised.

The basis of this assessment determines the ECL that is then charged to the ‘Financing and investment income & expenditure’ section of the CIES:

Risk of default has increased significantly	ECL equal to the anticipated loss over the lifetime of the financial instrument
Risk of default has not increased significantly	ECL equal to the anticipated loss over the next 12 month period

A simplified approach for calculating the ECL can be used for trade receivables, contract assets and lease receivables that do not contain a significant financing component.

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long term		Current		
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	see
Financial assets:	**£'000**	**£'000**	**£'000**	**£'000**	note
Investments:					
At amortised cost					
- Principal	76,680	37,451	184,673	429,440	
- Accrued interest	84	256	1,120	1,047	
- Loss Allowance	(8)	(4)	(15)	(18)	
At Fair Value through Other Comprehensive Income (FVOCI)					
- Principal at amortised cost					
- Accrued interest					
- Fair value adjustment					
- Equity investments elected FVOCI					
At Fair Value through profit & loss					
- Fair value	182,857	199,236	10,017	9,867	
Total investments	**259,613**	**236,939**	**195,795**	**440,336**	
Cash & cash equivalents:					
- Cash (including bank accounts)			(24,341)	(23,632)	
- At amortised cost			34,489	1,010	
- At Fair Value through Profit & Loss			77,980	21,420	
Total cash and cash equivalents			**88,128**	**(1,202)**	
Loans & receivables - Debtors	26,994	20,793	77,883	123,790	
Total debtors	**26,994**	**20,793**	**77,883**	**123,790**	
Total Financial Instrument Assets	**286,607**	**257,732**	**361,806**	**562,924**	
Financial liabilities at amortised cost:					
Borrowing	(249,293)	(241,183)	(51,323)	(53,821)	*22d*
Developers' contributions	(132,810)	(147,411)	-	-	*22f*
Creditors and receipts in advance	-	-	(135,617)	(145,382)	*22g*
PFI & finance lease liabilities	(133,080)	(121,391)	(8,392)	(7,669)	*18*
Financial liabilities at amortised cost	**(515,183)**	**(509,985)**	**(195,332)**	**(206,872)**	

22a Cash and cash equivalents

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

31 March 2021 £'000		31 March 2022 £'000
324	Cash in hand	450
34,489	Cash equivalents measured at amortised cost	1,010
77,980	Cash equivalents measured at fair value through profit & loss	21,420
(24,665)	Bank overdraft	(24,082)
88,128		**(1,202)**

22b Long-term debtors

31 March 2021 £'000		31 March 2022 £'000
	Financial instrument debtors	
501	Car loans to staff	376
26,493	Other (principally loans granted by the EM3 Local Enterprise Partnership)	20,417
26,994		**20,793**
	Non-financial instrument debtors	
26,757	Transferred debt	26,776
74,222	Prepayment of employer pension contributions	0
127,973		**47,569**

Transferred debt represents amounts of capital advances due to be repaid after statutory transfers of former services to Portsmouth and Southampton Unitary Authorities. These are not financial instruments and are shown at the book value of the amount outstanding.

Prepayments relate to advanced payment of employer pension contributions to the Local Government Pension Scheme (LGPS) permissible within the LGPS Regulations. These pre-payments are classified as non-financial instruments and will be written down in the year to which the contribution relates.

By value, the majority of these loans are for a period of less than five years. Their amortised cost in the Balance Sheet is a reasonable assessment of fair value. All loans are expected to be repaid in full, so a reduction for impairment is not considered necessary.

22c Short-term debtors

Debtors are shown net of the expected loss allowance for receivables detailed below.

31 March 2021 £'000		31 March 2022 £'000
77,883	Financial instrument debtors	123,790
148,942	Non-financial instrument debtors	160,485
226,825	**Total debtors and prepayments**	**284,275**

22d Borrowing

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Long term 31 March 2021 £'000	Long term 31 March 2022 £'000		Short term 31 March 2021 £'000	Short term 31 March 2022 £'000
		Loans at amortised cost:		
(208,000)	(200,000)	-Public Works Loan Board (PWLB)	(10,432)	(9,886)
(41,293)	(41,183)	-Market loans	(562)	(553)
		-Other short-term borrowing	(40,329)	(43,382)
(249,293)	**(241,183)**		**(51,323)**	**(53,821)**

22e Fair values

Fair Value Measurement

The County Council measures some of its assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The County Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

When measuring the fair value of a non-financial asset, the County Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All financial instruments excluding those classified at amortised cost are carried in the Balance Sheet at fair value. For money market funds and pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

- No early repayment or impairment is recognised for any financial instrument.

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the following tables, split by their level in the fair value hierarchy.

Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices

Level 2 - fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 - fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

2020/21				2021/22	
Balance Sheet	Fair Value		Fair Value	Balance Sheet	Fair Value
£'000	£'000	**Financial Assets held at fair value:**	Level	£'000	£'000
77,980	77,980	Money market funds	1	21,420	21,420
116,145	116,145	Equity, bond and multi-asset funds	1	120,780	120,780
76,729	76,729	Property funds - (note i)	2	88,323	88,323
0	0	Corporate & government bonds	1	0	0
270,854	**270,854**	**Total**		**230,523**	**230,523**
		Financial Assets held at amortised cost:			
20,018	20,094	Corporate & government bonds	1	10,018	10,036
1,738	2,472	Long-term company loans	3	14,280	16,367
55,000	60,889	Long-term loans to local authorities & housing associations	2	31,155	29,998
76,756	**83,455**	**Total**		**55,453**	**56,401**
300,803		Assets for which fair value is not disclosed - (note ii)		534,680	
648,413	**354,309**	**Total financial instrument assets**		**820,656**	**286,924**
		Recorded on balance sheet as:			
259,613		Long-term investments		236,939	
26,994		Long-term debtors		20,793	
195,795		Short-term investments		440,336	
77,883		Short-term debtors		123,790	
88,128		Cash and cash equivalents		(1,202)	
648,413		**Total financial instrument assets**		**820,656**	

note i- Property funds totalling £88.3m have been moved from level 1 to level 2 of the hierarchy for 2021/22.

note ii - The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

2020/21 Balance sheet £'000	2020/21 Fair Value £'000	Financial Liabilities	Fair Value Level	2021/22 Balance sheet £'000	2021/22 Fair Value £'000
(216,500)	(276,321)	PWLB loans - principal	2	(208,000)	(241,349)
(1,933)		PWLB loans - interest		(1,886)	
(41,293)	(54,860)	Market loans - principal	2	(41,183)	(49,234)
(562)		Market loans - interest		(553)	
(141,472)	(183,979)	PFI arrangements (deferred liability)	2	(129,060)	(174,908)
(401,760)	**(515,160)**	**Total**		**(380,682)**	**(465,491)**
(308,803)		Liabilities for which fair value is not disclosed (note i)		(336,175)	
(710,563)		**Total financial instrument liabilities**		**(716,857)**	
		Recorded on balance sheet as:			
(135,617)		Short-term creditors		(145,382)	
(51,323)		Short-term borrowing		(53,821)	
(8,392)		Deferred liability repayable within one year		(7,669)	
(249,293)		Long-term borrowing		(241,183)	
(133,080)		Deferred liabilities		(121,391)	
(132,810)		Developers' contributions		(147,411)	
(710,515)		**Total financial instrument liabilities**		**(716,857)**	

note i - The fair value of short-term financial liabilities including trade payables and developers contributions is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority’s portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

22f Developers' contributions

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

2020/21				2021/22		
Highways £'000	Other £'000	Total £'000		Highways £'000	Other £'000	Total £'000
(89,266)	(36,259)	(125,525)	Balance at 1 April	(96,276)	(36,534)	(132,810)
(12,889)	(24,058)	(36,947)	Income	(17,629)	(33,694)	(51,323)
5,879	23,783	29,662	Contributions applied	12,813	23,909	36,722
(96,276)	**(36,534)**	**(132,810)**	**Balance at 31 March**	**(101,092)**	**(46,319)**	**(147,411)**

22g Short-term creditors

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

31 March 2021 £'000		31 March 2022 £'000
(135,665)	Financial instrument creditors	(145,382)
(79,933)	Non-financial instrument creditors	(62,373)
(215,598)	**Total short term creditors**	**(207,755)**

22h Nature and extent of risks arising from financial instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance on Local Authorities, both revised in 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. Revenue budget report appendix 10 Treasury Management Strategy

The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local

Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

Credit risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the County Council.

Liquidity risk: The possibility that the County Council might not have the cash available to make contracted payments on time.

Market risk: The possibility financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit risk

The County Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy

The table below summarises the credit risk exposures of the County Council's investment portfolio by the type of counterparty:

	Long term		Short term	
Credit Rating	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
AAA	20,018	10,018	10,669	103,908
AA+	-	-	-	-
AA	-	-	-	-
AA-	-		-	41,019
A+	-	-	-	27,055
A	-	-	69,500	55,005
A-	-	-		
AAA Money market funds	-	-	77,980	21,420
Unrated local authorities	55,000	25,000	140,095	204,486
Unrated companies	1,738	2,685	3	6
Unrated pooled funds	182,857	199,236	10,017	9,867
Total	**259,613**	**236,939**	**308,264**	**462,766**

Invoiced debtors risk

The invoiced debtors have been reviewed by age to determine an appropriate allowance for debts that are likely to be uncollectable. This excludes debts of £9.5 million considered to be low risk as they were either paid in early 2020/21, secured on property or have agreed repayment plans.

An expected loss allowance (ELA) of £13.8 million (£11.7 million in 2020/21) has been calculated.

Outstanding debt raised in	Outstanding balance due at 31 March 2022 £'000	Individually assessed impairment £'000	Collectively assessed impairment £'000	Total Expected Loss Allowance for receivables £'000
2021/22		369	946	1,315
2020/21	28,830	1,025	1,465	2,490
2019/20	7,535	337	2,679	3,016
2018/19	3,590	124	1,556	1,680
2017/18 and earlier	9,243	964	4,358	5,322
	49,198	**2,819**	**11,004**	**13,823**

Liquidity risk

The County Council has ready access to borrowing from the Public Works Loan Board, other local authorities, and from banks and building societies. There is no perceived risk that the County Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans, limiting the amount of the County Council's borrowing that matures in any one financial year.

The maturity analysis of the principal sums borrowed at 31 March 2022 was as follows:

Discounted (principal) 31 March 2021 £'000	Undiscounted (principal plus interest) 31 March 2021 £'000		Discounted (principal) 31 March 2022 £'000	Undiscounted (principal plus interest) 31 March 2022 £'000
(8,610)	(20,612)	Not over one year	(8,110)	(19,578)
(8,110)	(19,572)	Between one and two years	(8,080)	(19,217)
(27,074)	(59,003)	Between two and five years	(29,003)	(59,468)
(55,000)	(97,589)	Between five and 10 years	(59,000)	(98,899)
(135,000)	(169,528)	Between 10 and 20 years	(127,000)	(155,556)
(24,000)	(26,284)	Between 20 and 40 years	(18,000)	(19,264)
		Over 40 years		
(257,793)	**(392,588)**	**Total**	**(249,193)**	**(371,982)**

Market risk

Interest rate risk

The County Council is exposed to risks arising from interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the County Council. For instance a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest rate expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise

- investments as fixed rates – the fair value of the assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will

be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2022, £229 million of principal borrowed was at fixed rates and £20 million at variable rates. The value of the County Councils investments (excluding accrued interest) held at variable rates (including investments with less than one year to maturity) was £657 million at 31 March 2022 and fixed rates was £25 million.

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

Interest rate risk	**£'000**
Increase in interest payable on variable rate borrowing	131
Increase in interest receivable on variable rate investments	(3,533)
Decrease in fair value of investments held at FVPL	991
Impact on (Surplus) or Deficit on the Provision of Services	**(2,411)**
Decrease in fair value of investments held at FVOCI	
Impact on Comprehensive Income and Expenditure	**(2,411)**

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

Price risk

The market prices of the County Council's fixed rate bond investments are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The County Council's investment in pooled property funds are subject to the risk of falling commercial property prices and its investment in pooled equity funds are subject to the risk of falling share prices. These risks are limited by the County Council's investment strategy. A fall in commercial property or share prices would result in a charge to the surplus or deficit on the Provision of Services which is then transferred to the Financial Instrument Adjustment Account – this would have no impact on the General Fund until the investment was sold.

Foreign exchange risk

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

23 Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the County Council has a present obligation (legal or constructive), and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that payments will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

Change in provisions

	note	31 March 2021 £'000	Use of Provision In Year £'000	Increase or decrease in 2020/21 Central Provision £'000	Service Provision £'000	Taxation Provision £'000	31 March 2022 £'000
Insurance claims	a	(17,128)	5,489	4,095	(7,016)	0	(14,560)
Business rates appeals	b	(6,059)	0	0	0	591	(5,468)
Other	c	(526)	71	0	(36)	0	(491)
Total Provisions		**(23,713)**	**5,560**	**4,095**	**(7,052)**	**591**	**(20,519)**

a. The insurance provision represents an assessment of the likely cost of liability claims known to the County Council at 31 March 2022. The risks covered from the provision are as follows:

Liabilities

Employer’s liability, public liability, product liability and pollution liability – the maximum liability for any one claim being £5 million. The maximum amount for which the provision is liable (the commercial insurance aggregate) is £12.5 million in any one year.

Property

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

Contents owned by the Council for loss or damage as a result of fire, lightning, explosion and theft.

Additional cover

Personal accident scheme
Fidelity guarantee

Schools - balance of perils
Schools – community use

b. This is the County Council's share of the provision made by billing authorities for refunding ratepayers who are successful in appealing against the rateable value of their properties on the rating list. This includes amounts relating to non-domestic rates charged to businesses in 2012/13 and earlier financial years.

c. This provision covers other liabilities, including that relating to the estimated redundancy costs following agreed service restructuring and estimated restoration costs anticipated at the end of property leases.

24 Post-employment benefits

As part of the terms and conditions of employment of its staff, the County Council makes contributions towards the cost of post-employment benefits. These will be paid only when employees retire but in accordance with IAS19 the County Council must account for the commitments at the time that employees earn their future entitlement.

The Council participates in three pension schemes:

a) Pension schemes accounted for as defined contribution schemes:
    - The Teachers Pension Scheme
    - The NHS Pension Scheme
b) The Local Government Pension Scheme (LGPS)

24a Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

This is a defined benefit scheme administered by the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the County Council's only obligation is to pay contributions towards these costs based on a percentage of member's pensionable salaries. The scheme is unfunded so the pensions of past employees are paid from current revenues. The DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. As such the County Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes, and therefore this scheme is accounted for as if it is a defined contribution scheme and no liability for future payment of benefits is recognised in the Balance Sheet.

The Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

In 2021/22 total employer's contributions were £72 million representing 23.83% of pensionable pay (£70 million representing 23.86% of pensionable pay in 2020/21).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 24c.

NHS Pension Scheme

On 1 April 2013, Public Health staff transferred from the NHS to the County Council. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the County Council's only obligation is to pay contributions towards these costs based on a percentage of member's pensionable salaries.
The scheme is an unfunded defined benefit scheme administered by EA Finance NHS Pensions. As such the County Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes and therefore this scheme is accounted for as if it is a defined contribution scheme and no liability for future payment of benefits is recognised in the Balance Sheet.

The Adults' Health and Care line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year. In 2021/22 total employer's contributions were £0.05 million.

24b Local Government Pension Scheme

Participation in Pension Schemes

The County Council participates in and administers the Hampshire LGPS. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on a Career Average Revalued Earnings. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'. This disclosure includes an estimate of the impact of the anticipated changes to scheme regulations that will be made to remove age discrimination as a result of the McCloud and Sargeant legal cases.

The funded nature of the LGPS requires that Hampshire County Council and employees pay contributions into the Fund, calculated at a level intended to balance the Fund's liabilities with its investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement.

The LGPS is accounted for as a defined benefits scheme where:

- The liabilities of the scheme attributable to the County Council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees).

- Liabilities are discounted to their value at current prices using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.

- The assets of the pension fund attributable to the County Council are included in the Balance Sheet at their fair value: for quoted securities this means the current bid price; for unquoted securities this is based on a professional estimate; for unitised securities this means the current bid price; for property this means an estimate of the market value.

As at March 2022, Pension Fund assets and liabilities have been included in the Balance Sheet based on a formal actuarial valuation at 31 March 2019. As part of the 2019 valuation, employer contribution rates were set for a three year period.

Statutory provisions limit the County Council to raising council tax to cover the actual amounts payable by the County Council to the pension fund in the year. In the Movement in Reserves Statement an appropriation is made between the General Fund and the Pension Fund Reserve to remove the notional debits and credits for retirement benefits included in the Comprehensive Income and Expenditure Statement and replace them with debits for the actual amounts paid to the pension fund and any amounts due to the fund but unpaid at the year-end.

Discretionary benefits

The County Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. These are not funded by the assets of the Pension Fund but by the County Council when they are paid. Any liabilities estimated to arise as a result of a discretionary award are accrued for in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

24c Transactions relating to post-employment benefits

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

The change in the net pension liability is analysed into the following components:

- **Current service cost:** this is the increase in liabilities resulting from employee service in the current period. This is shown as a cost in the Comprehensive Income and Expenditure Statement for the service where the employee worked.
- **Past service cost:** this is the increase in liabilities arising from current year decisions whose effect relates to the number of years of service earned in earlier years. This is shown in other costs in the Comprehensive Income and Expenditure Statement.
- **Gains/losses on settlements and curtailments:** this is the result of members of the scheme leaving, joining or stopping their contributions to the scheme. These actions relieve the County Council of liabilities or reduce the expected future service or accrual of benefits of employees. This is shown in other costs in the Comprehensive Income and Expenditure Statement
- **Net interest on the net defined benefit liability:** this is the change during the period in the net defined benefit liability that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- **Re-measurement comprising:**

  1. The return on assets - excluding amounts included in net interest on the net defined benefit liability – charged as Other Comprehensive Income and Expenditure.

  2. Actuarial gains and losses: these are changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are shown as other income and expenditure within the Comprehensive Income and Expenditure Statement.
- **Contributions paid to the Hampshire County Council pension fund:** these are amounts paid as employer contributions to the pension fund and are not included within the cost of services.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2020/21 £'000		2021/22 £'000
	Included in the Comprehensive Income and Expenditure Statement:	
	Cost of Services	
165,850	Current service cost of funded LGPS pensions	234,190
2,333	Past service cost of funded LGPS pensions	1,401
	Charge to non-distributed costs for early retirement in the year	
0	Settlement costs	0
0	Net increase in liabilities from acquisitions	0
	Financing and Investment Income and Expenditure	
33,587	Interest on net defined liability	37,784
201,770	**Total post employment benefits charges to the surplus/deficit on the provision of services**	**273,375**
	Remeasurements in Other Comprehensive Income:	
(595,596)	Return on plan assets (excluding that recognised in net interest)	(231,842)
	Actuarial (gains)/losses arising:-	
869,108	Actuarial (gains) / losses due to change in financial assumptions	(334,331)
0	Actuarial (gains) / losses due to change in demographic assumptions	(93,808)
(49,951)	Actuarial (gains) / losses due to liability experience	(110,013)
223,561	**Total amount recognised in Other Comprehensive Income and Expenditure**	**(769,994)**
425,331	Total post employment benefits charges to the Comprehensive Income and Expenditure Statement	**(496,619)**
	Movement in reserves statement	
(201,770)	Reversal of net changes made to the surplus/deficit for the provision of services for post employment benefits in accordance with IAS19	(273,375)
	Actual amount charged against the General Fund Balance for pensions in the year	
79,795	Employer's contributions payable to the fund	82,092
	Added years and early retirement cash flows in the year:	
1,812	- LGPS	1,747
2,548	- Teachers	2,462
84,155	Charge on General Fund	**86,301**

24d Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Period ended 31 March 2022	LGPS funded £'000	LGPS Unfunded £'000	Teachers' Unfunded £'000	Total £'000
Opening present value of liabilities	(5,064,644)	(22,142)	(31,537)	**(5,118,323)**
Current service cost	(234,190)	0	0	**(234,190)**
Interest expense on defined benefit obligation	(105,499)	(447)	(637)	**(106,583)**
Contributions by participants	(29,888)	0	0	**(29,888)**
Actuarial gains/(losses) on liabilities:				
- financial assumptions	333,214	483	634	**334,331**
- demographic assumptions	92,911	357	540	**93,808**
- liability experience	110,210	(81)	(116)	**110,013**
Net benefits paid out (note i)	113,132	1,747	2,462	**117,341**
Past service cost	(1,401)	0	0	**(1,401)**
Net increase in liabilities from acquisitions	0	0	0	**0**
Closing present value of liabilities	(4,786,155)	(20,083)	(28,654)	**(4,834,892)**

Period ended 31 March 2021	LGPS funded £'000	LGPS Unfunded £'000	Teachers' Unfunded £'000	Total £'000
Opening present value of liabilities	(4,061,501)	(22,253)	(31,823)	**(4,115,577)**
Current service cost	(165,850)	0	0	**(165,850)**
Interest expense on defined benefit obligation	(92,607)	(491)	(703)	**(93,801)**
Contributions by participants	(28,988)	0	0	**(28,988)**
Actuarial gains/(losses) on liabilities:				
- financial asssumptions	(865,589)	(1,518)	(2,000)	**(869,107)**
- demographic assumptions	0	0	0	**0**
- liability experience	49,202	308	441	**49,951**
Net benefits paid out (note i)	103,022	1,812	2,548	**107,382**
Past service cost	(2,333)	0	0	**(2,333)**
Net increase in liabilities from acquisitions	0	0	0	**0**
Closing present value of liabilities	(5,064,644)	(22,142)	(31,537)	**(5,118,323)**

24e Reconciliation of the Movements in the Fair Value of Scheme Assets

31 March 2021 £'000		31 March 2022 £'000
2,614,465	**Opening fair value of assets**	**3,276,036**
60,214	Interest income on assets	68,799
595,596	Remeasurement gains/(losses) on assets	231,842
84,155	Contributions by employer	86,301
28,988	Contributions by participants	29,888
(107,382)	Net benefits paid out (note i)	(117,341)
3,276,036	**Closing fair value of assets**	**3,575,525**

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

24f Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31 March 2021 £'000		31 March 2022 £'000
	Present value of the defined benefit obligation:	
(5,064,644)	LGPS funded	(4,786,155)
	Unfunded Liabilities:	
(22,142)	LGPS	(20,083)
(31,537)	Teachers	(28,654)
(5,118,323)		**(4,834,892)**
3,276,036	Fair value of assets in the scheme	3,575,525
(1,842,287)	**Net liability arising from defined benefit obligation**	**(1,259,367)**

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

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

The proportion of assets by category is shown below:

31 March 2021 %		31 March 2022 Quoted %	31 March 2022 Unquoted %	31 March 2022 Total %
57.0	Equities	45.8	11.1	56.9
17.3	Government bonds	17.2	0.0	17.2
6.1	Property	0.9	6.0	6.9
0.0	Corporate bonds	0.0	0.0	0.0
0.0	Multi Asset Credit	9.0	0.0	9.0
1.4	Cash	0.9	0.0	0.9
18.2	Other (hedge funds, currency holdings, futures, private equities)	5.6	3.5	9.1
100.0		**79.4**	**20.6**	**100.0**

24g Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels etc.

The significant assumptions used by the actuary have been:

31 March 2021		31 March 2022
2.7%	Rate of Inflation (CPI)	3.0%
3.7%	Rate of increase in salaries	4.0%
2.7%	Rate of increase in pensions	3.0%
2.1%	Rate for discounting scheme liabilities	2.7%
	Longevity at 65 for current Pensioners (years):	
23.1	Men (LGPS)	23.2
25.5	Women (LGPS)	25.6
	Longevity at 65 for future Pensioners (years):	
24.8	Men (LGPS)	23.7
27.3	Women (LGPS)	26.6

Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.

Sensitivity analysis of financial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the preceding table. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. For example, the assumptions around longevity assume that life expectancy increases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous method. A sensitivity analysis has not been undertaken on unfunded benefits as it is not material.

Impact on the present value of the defined benefit obligation at 31 March 2022 from changes in assumptions

	Increase in assumption		Decrease in assumption	
	£'000	%	£'000	%
Discount rate (increase / decrease 0.1% per annum)	(100,509)	-2.1	100,509	2.1
Salary increase rate (increase / decrease 0.1% per annum)	9,572	0.2	9,572	-0.2
Pension increase rate (increase / decrease 0.1% per annum)	90,937	1.9	90,937	-1.9
Longevity (increase / decrease by 1 year)	162,729	3.4	(162,729)	-3.4

Impact on the County Council’s Cash Flows

The objectives of the scheme are to keep employers' contribution rates as stable as possible. The aim is to achieve a funding level of 100% over a period of 19 years from 1 April 2017. Funding levels are monitored on an annual basis. The latest triennial valuation was completed on 31 March 2019, and is reflected in the 2019/20 financial statements.

From 1 April 2014 the scheme became a career average revalued earnings scheme following changes introduced in the Public Pensions Services Act 2013. Prior to this the scheme was based on a member’s final salary and length of pensionable service. More information on the nature of the scheme can be found in the Pension Fund Accounts.

The total regular and fixed contributions expected to be made to the Hampshire LGPS by the County Council in the year to 31 March 2023 is £88.4 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

The weighted average duration of the defined benefit obligation for scheme members is 21.1 years (21.1 years in 2020/21).

25 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the County Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the County Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that payments will be required, or the amount of the payment cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed below.

The County Council self-insures and therefore funds its own liability claims. The liabilities are uncertain but to cover them a provision is maintained for known liability claims, assessed at £14.56 million at 31 March 2022 (see note 23) and a reserve earmarked for potential future claims, £43.68 million at 31 March 2022 (see note 4i).

The County Council has received claims under part 1 of the Land Compensation Act 1973 relating to the highway alterations in Havant and Fareham. It is unlikely that these claims will be resolved in the near future, so it is not possible to quantify reliably the potential liability associated with them.

26 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on XX September 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

A written statement by the Ministry for Housing, Communities and Local Government was published on 13 May 2021 confirming the key changes to the Local Government Pension Scheme regulations that will be made to remove age discrimination. This follows the Court of Appeal ruling in December 2018 in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement when the scheme changed on 1 April 2014, is age discrimination. The precise financial impact of the remedy announced in May remains difficult to determine but will potentially impact contributions to the Pension Fund. Draft regulations are expected to be published later this year.

27 Cash Flow Statements

In the Cash Flow Statements, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the County Council’s cash management.

Cash is represented by cash in hand in the County Council’s main bank account, in schools’ local bank accounts and in petty cash accounts held for minor day-to-day expenses by service units, including schools, across the whole county.

Cash equivalents are investments that are readily convertible the same day to known amounts of cash with insignificant risk of change in value.

27a Cash flow statement - operating activities

The cash flows for operating activities include the following items:

2020/21 £'000		2021/22 £'000
20,814	Interest paid	18,416
(14,738)	Interest received	(14,062)
	Dividends received	
6,076		**4,354**
	Adjustments to net surplus or deficit on the provision of services	
(156,948)	Depreciation	(158,363)
(34,400)	Impairments and downward revaluations	(39,470)
(2,619)	(Increase)/decrease in expected credit losses	(1,619)
(17,913)	(Increase)/decrease in creditors	4,915
158,178	Increase/(decrease) in debtors	(26,228)
543	Increase/(decrease) in inventory	(313)
(117,615)	Pension Liability	(187,074)
(1,439)	Carrying amount of non-current assets sold	(18,308)
(13,331)	Carrying amount of assets transferred to academy / foundation Trust schools	(9,336)
(3,424)	Adjustment for provisions	3,194
24,142	Movement in the value of investment properties and financial assets	65,447
0	Adjustment to interest charges arising from the PFI model	5,244
(3)	Property, plant & equipment (PPE) written off as revenue (REFCUS)	0
(164,829)	**Non-cash movement**	**(361,911)**

The following table adjusted for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2020/21 £'000		2021/22 £'000
3,866	Proceeds from the sale of PPE etc	12,203
125,481	Capital grants and contributions	182,469
129,347	**Investing/financing cash flows**	**194,672**

27b Cash Flow Statement - investing activities

2020/21 £'000		2021/22 £'000
	Cash outflows	
110,261	Purchase of property, plant and equipment	222,885
323,797	Purchase of short-term and long-term investments	929,500
0	Other expenditure	0
	Cash inflows	
(3,269)	Proceeds from the sale of property, plant and equipment	(12,599)
(250,144)	Proceeds from the sale of short-term and long-term investments	(723,985)
(150,049)	Capital grants	(184,367)
(2,901)	Other income	(5,299)
27,695	**Net cash outflow from investing activities**	**226,135**

27c Cash Flow Statement - financing activities

2020/21 £'000		2021/22 £'000
	Cash outflows	
7,962	Cash payments for the reduction of the outstanding liabilities relating to PFIs	7,168
25,485	Repayments of short- and long-term borrowing	13,808
0	Other payments for financing activities	0
	Cash inflows	
(18,947)	Cash receipts of short- and long-term borrowing	(8,252)
(357)	Other receipts from financing activities	19
14,143	**Net cash outflow from financing activities**	**12,743**

28 Accounting Policies and critical judgements in applying accounting policies

General principles

The Statement of Accounts summarises the County Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The County Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the accounts to be prepared in accordance with proper accounting practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

28.1 Going concern basis of preparation

Local authorities cannot be created or dissolved without statutory prescription, therefore within CIPFA's Accounting Code of Practice there is a presumption that the Council's accounts will be prepared on a going concern basis for as long as a local authority's services will continue to operate. Notwithstanding the statutory basis for going concern, the Chief Financial Officer has separately assessed the underlying financial sustainability of the organisation and this is outlined below.

Financial sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of Hampshire County Council under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate. The County Council regularly reviews and updates its Medium-Term Financial Strategy, incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast. This is underpinned by the County Council's well established reserves policy and approach to identifying and delivering required savings from the budget, with regular monitoring through monthly financial resilience reporting. The medium-term strategy and current assumptions on funding, priorities and pressures informs the annual budget setting process, with outcomes monitored throughout each financial year taking a risk based approach with the escalation of issues through senior officers and elected members as appropriate.

At the end of 2021/22 reserves stood at £883m of which 2.7% comprised the General Fund balance with a further 5.7% held in the insurance and investment risk reserves. The County Council's significant reserves balance ensures that it can conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer-term view to investments where appropriate, enabling greater returns to be made in support of the revenue budget, whilst also adhering to the CIPFA Treasury Management Code in prioritising the security of its investment balances.

The County Council's financial forecast for 2022/23 has been reviewed alongside assumptions for 2023/24 and 2024/25 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the County Council's financial sustainability to March 2025. The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that County Council can meet its operational obligations over the period, with the option to sell longer-term investments and make use of its borrowing headroom as a short-term solution to any unforeseen liquidity pressures, although this would have an impact on the longer-term financial sustainability of the County Council.

Accounting Policies

28.2 Accruals of income and expenditure

Sums due to, or from, the County 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. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the County Council provides the relevant goods or services
- Supplies and services expenditure is recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as stock in the Balance Sheet
- Employee benefits, including pension benefits are accounted for as they are earned
- Interest payable and receivable on borrowing and lending is accounted for on the basis of an effective interest rate calculated for the relevant financial instrument rather than the actual cash paid or received in accordance with the contract.

However, there are some exceptions, as follows:

- Payments to casual staff and overtime are accounted for with the basic pay with which they are paid.
- 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.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Amounts below £10,000 are not routinely accrued at year end even if they meet the other conditions. This is because they are not material in the scale of the County Council’s overall income and expenditure. Where items of income or expenditure fall below this amount, they may still be accrued in certain circumstances such as where they are subject to specific terms and conditions relating to a grant or where there is an element of cost recovery. Items of a similar nature which are individually below this £10,000 threshold may be aggregated if they could be said to have a similar material effect upon the reporting of a particular type of income, expenditure or cost centre.

28.3 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may result from a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the County Council’s financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.
Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

28.4 Stock and long-term contracts

Stocks held in the balance sheet are valued according to their differing nature and purpose. This does not accord with the International Accounting Standard 2 which requires stock to be valued at the lower of the original purchase price and current value but the differences in the valuations are not material. For example, County Supplies stock is valued at the latest buying price, while other stock is mainly on an historical cost basis. Spending on consumable items is accounted for in the year of purchase.

Long-term contracts are accounted for on the basis of charging services with the value of works and services received under the contract during the financial year. The cost of capital schemes that are in progress at the date of the balance sheet are included as assets under construction within Property, Plant and Equipment.

28.5 Contingent assets

A contingent asset arises where an event has taken place that gives the County Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the County Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

28.6 VAT

Income and expenditure exclude VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC), and all VAT paid is recoverable from HMRC.

28.7 Transferred functions

The County Council has transferred to a charitable company, the operational responsibility for its Arts and Museums service with effect from 1 November 2014. The County Council retains ownership of the collections and the land and buildings occupied by the service and makes an annual revenue grant towards the running costs of the service.

Critical judgements in applying accounting principles

In applying its accounting policies, the County Council has had to make certain judgements about complex transactions or those involving uncertainty about future events as set out in notes 28.8 to 28.13.

28.8 Asset classifications

The County Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment (PPE). The classification determines the valuation and depreciation method to be used. These judgements are based on the main reason that the County Council is holding the asset. Further details can be found in the PPE and Investment Property notes.

28.9 Lease classifications

The County Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. For the purposes of lease classifications, a de minimis level is used of £500,000.

As a result, no material finance leases have been identified. In addition, judgements have been made on whether any contracts for services include embedded leases. None have been identified.

28.10 Providing for potential liabilities

The County Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes appeals against the rateable value of business properties and legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending cases based on experience in previous years or in other local authorities.

28.11 Production of group accounts

In accordance with the Code of Practice the County Council has carried out an assessment of its interests in other entities to determine the nature of any group relationships that exist. This includes an assessment of the extent of the County Council's control over the entity considered either through ownership (such as shareholding) or representation on an entity's board of directors. The main interests held by the County Council in other entities are detailed in the Collaborative Arrangements and Group Accounts section of this statement of accounts. However, none are considered material and thus the production of group accounts is not required.

28.12 Reportable segments

The service analysis within the Comprehensive Income and Expenditure Statement and the segmental analysis within the Expenditure and Funding Analysis is based on the County Council's internal management reporting as set out in the budget report. The majority of spend is controlled by departmental directors, with central control of capital financing, contingencies and specific grant income.

29 Uncertainties relating to assumptions and estimates used

There are two significant items on the County Council's Balance Sheet at 31 March 2022 for which there is a risk of adjustment in the forthcoming financial year owing to uncertain economic and political events. These are the estimated values for the pension liability and property, plant and equipment (PPE). However, variations in these values do not impact the usable reserves of the County Council.

Estimation of the net liability to pay pensions depends on a number of complex assumptions related to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension fund assets and the actual remedy agreed for transition provisions. The County Council engages a firm of consulting actuaries to provide expert advice on the assumptions to be applied. The effects of changes in individual assumptions on the pension liability can be measured and a sensitivity analysis is provided in note 24g.

The County Council commissions a 5 year rolling programme of PPE and Investment Property valuations, unless events indicate that a valuation is required ahead of the next planned valuations. Valuations are undertaken by qualified valuers within Hampshire County Council's Property department in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. These take account of current trends in building costs, local planning policies and other relevant factors. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices. However, because valuations cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. A 1% change in valuations equates to £34m.

30 Accounting standards issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The additional disclosures that will be required in the 2022/23 financial statements in respect of accounting changes introduced in the 2022/23 Code are:

- Property, Plant and Equipment (PPE): Proceeds before Intended Use (Amendments to IAS 16)
    - This amendment prohibits organisations deducting from the cost of PPE the proceeds of items produced using that PPE before it was fully operational as intended. This accounting standard is aimed at manufacturing, so as our focus is on providing public services we do not expect it to have any impact on our accounts.

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes the following changed standards:

    - IFRS 1 (First-time adoption)
        - This amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS. We do not expect this to have any impact on us as we have no plans to acquire subsidiaries with foreign operations.

    - IAS 37 (Onerous contracts)
        - The change clarifies what should be classified as an onerous cost. We do not have any onerous contracts so do not expect this to have any impact on us.

    - IAS 41 (Agriculture)
        - This accounting standard relates to farming and how biological assets (plants and animals) should be valued when they are harvested. The Council owns a number of farms but almost all of them are let out to tenants. As the Council does not own the animals and plants on tenanted farms this change has no impact on the Council's accounts for these farms. The Council does own and run some small farms as visitor attractions in country parks, such as Manor Farm and Staunton. However, the value of their biological assets is not material enough to affect the Council's accounts.

The Code only requires items to be mentioned here which will be adopted in 2022/23. However, it is also useful to note that the adoption of IFRS 16 (which is about accounting for leases) has been delayed again and we are currently planning to adopt it in 2024/25.

Pension Fund Accounts

Fund Account	See note	2020/21 £'000	2021/22 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	497,238	199,267
Transfers in from other pension funds		13,748	16,178
		510,986	**215,445**
Benefits	8	(270,665)	(285,525)
Payments to and on account of leavers		(14,630)	(18,758)
		(285,295)	**(304,283)**
Net additions from dealings with members		**225,691**	**(88,838)**
Management expenses	9	**(53,871)**	**(63,956)**
Net additions inc. fund management expenses		171,820	(152,794)
Returns on investments			
Investment income	10	102,410	106,521
Taxes on income		(350)	176
Profits and losses on disposal of investments and changes in the market value of investments	11a	1,888,455	600,156
Net return on investments		**1,990,515**	**706,853**
Net increase in the net assets available for benefits during the year		**2,162,335**	**554,059**
Opening net assets of the scheme		6,910,480	9,072,815
Closing net assets of the scheme		9,072,815	9,626,874

Net Assets Statement for the year ending 31 March 2022	See note	31 March 2021 £'000	31 March 2022 £'000
Investment assets		8,938,561	9,508,612
Cash deposits		26	27
Investment liabilities		0	(40)
Total net investments	**11**	**8,938,587**	**9,508,599**
Current assets	18	140,155	125,033
Current liabilities	19	(5,927)	(6,758)
Net assets of the Fund available to fund benefits at the period end		**9,072,815**	**9,626,874**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the period end. The actuarial present value of promised retirement benefits is disclosed at Note 17.

Notes to the Pension Fund accounts

1. Description of Fund

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Hampshire Pension Fund Annual Report 2021/22 and the underlying statutory powers underpinning the Scheme.

a) General

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

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

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

b) Membership

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

Organisations participating in the Hampshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar

bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 350 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Hampshire Pension Fund	31 March 2021	31 March 2022
Number of employers with active members	337	350
Number of employees in Scheme		
County Council	27,234	28,049
Other employers	31,766	32,995
Total	**59,000**	**61,044**
Number of pensioners		
County Council	19,813	20,949
Other employers	25,763	27,087
Total	**45,576**	**48,036**
Deferred pensioners		
County Council	39,019	40,914
Other employers	39,815	41,432
Total	**78,834**	**82,346**
Total members in the Pension Fund	**183,410**	**191,426**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay in the Main Section, and 2.75% to 6.25% of pensionable pay in the 50/50 Section, for the financial year ending 31 March 2022. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2019. Employer contribution rates for most employers were a range from 16.7% to 25.2% of pensionable pay. A small number of employers also pay a past service deficit contribution.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

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

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. The Code only requires items to be mentioned here which will be adopted in 2022/23. However, it is also useful to note that the adoption of IFRS 16 (which is about accounting for leases) has been delayed again and adoption is planned in 2024/25. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 17.

The vast majority of employers in the pension scheme (91% of the Fund by active membership, are scheduled bodies excluding Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet is ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 78% of the Fund's investments can be converted into cash within 3 months.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

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

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received/paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section n below) to purchase Scheme benefits are accounted for on a receipts basis and are included in Transfers In.

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

c) Investment income

i) Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

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

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

iv) Rental income from operating leases on properties owned by the Fund is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

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

e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs* (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows.

Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses to the Fund.

Oversight and governance costs

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the income receivable.

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

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used for inclusion in the Fund account. In 2021/22 £2.3 million of fees is based on such estimates (2020/21 £3.4 million).

f) Taxation

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

Income and expenditure exclude VAT, as all VAT collected is payable to HM Revenue and Customs (HMRC), and all VAT paid is recoverable from HMRC.

Net Assets Statement

g) Financial assets

All investment assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 11a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the Net Assets Statement have been determined in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties

Properties are valued annually as at the year-end date by an independent external valuer, Mark White, BSc MRICS of Colliers International, on a fair value basis in accordance with the *Royal Institute of Chartered Surveyors' Valuation – Current Global Standards*; see Note 13 for more details.

i) Foreign currency transactions

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

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 12).

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 17).

n) Additional voluntary contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Zurich as its AVC providers. AVCs can also be paid to Utmost, but only by legacy contributors (closed to new members).

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds)

Regulations 2016 but are disclosed as a note only (see Note 20).

o) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

Unquoted alternative investments

It is important to recognise the subjective nature of determining the fair value of alternative investments: private equity, infrastructure and private debt. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using guidelines set out by the *International Private Equity and Venture Capital Valuation Guidelines*. The value of unquoted private equity investments was £598 million and infrastructure investments was £470 million at 31 March 2022 (£443 million and £269 million respectively at 31 March 2021). There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as *Duff & Phelps*. The value of unquoted private debt investments at 31 March 2022 was £340 million (£220 million at 31 March 2021).

Pension fund liability

The pension fund liability is recalculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions, which are agreed with the actuary and are summarised in Note 16.

These actuarial revaluations are used to set future employer contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Directly held property

The Fund's property portfolio includes a number of directly owned properties, which are leased commercially to various tenants with rental periods from less than a month to 116 years (based on current leases). The Fund has determined that these contracts all constitute operating lease arrangements under the classification permitted by IAS7 and the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

Wholly owned companies

The Pension Fund's investments include two companies that it owns that have been specifically created to hold the Pension Fund's investments. These companies have no other purpose and therefore the value of the companies is equal to value of the investments.

The Pension Fund accounts for these investments according to the types of investments held by the companies, in line with the rest of the Pension Fund's accounting and reporting.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2022 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 17)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £1,023 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £47 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £372 million.
Alternative	Private equity investments are	The total private equity

Item	Uncertainties	Effect if actual results differ from assumptions
investments - Private equity (Note 13)	valued at fair value in accordance with the *International Private Equity Venture Capital Valuation Guidelines*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	investments in the financial statements are £598 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£60m)
Alternative investments - Infrastructure (Note 13)	Infrastructure investments are valued at fair value in accordance with the *International Private Equity Venture Capital Valuation Guidelines*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are £470 million. The investment managers recommends a tolerance of 10% around the net asset value (+/-£47m)
Alternative investments - Private debt (Note 13)	There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as *Duff & Phelps*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £340 million. The investment managers recommends a tolerance of 5% around the net asset value (+/-£17m)

6. Events after the reporting date

There have been no post-balance sheet events.

7. Contributions receivable

By category	2020/21 £'000	2021/22 £'000
Employees' contributions	73,431	77,554
Employers' contributions		
Normal contributions	413,577	116,347
Deficit recovery contributions	10,230	5,366
Total employers' contributions	423,807	121,713
Total contributions receivable	**497,238**	**199,267**

By type of employer	2020/21 £'000	2021/22 £'000
Administering authority	262,158	38,812
Scheduled bodies	222,631	146,326
Admitted bodies	12,449	14,129
Total	**497,238**	**199,267**

Employers contributions reduced in 2021/22 as a number of employers in the Fund choose to pre-pay their contributions for the 2020/21 to 2022/23 actuarial period in 2020/21, as set out in the Fund Actuary's Rates and Adjustments Certificate in the 2019 Actuarial Valuation report 2019-valuationreport.pdf (hants.gov.uk).

8. Benefits payable

By category	2020/21 £'000	2021/22 £'000
Pensions	229,754	236,663
Commutation and lump sum retirement benefits	35,498	42,862
Lump sum death benefits	5,413	6,000
Total	**270,665**	**285,525**

By type of employer		
	2020/21	2021/22
	£'000	£'000
Administering authority	103,091	107,681
Scheduled bodies	154,467	162,994
Admitted bodies	13,107	14,850
Total	**270,665**	**285,525**

9. Management expenses

	2020/21 £'000	2021/22 £'000
Administrative costs	2,306	2,455
Investment management expenses	50,799	60,722
Oversight and governance costs	766	779
Total	**53,871**	**63,956**

This analysis of the costs of managing the Hampshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

In addition to these costs, implicit costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 11a).

9a) Investment Management Expenses

2021/22	Management fees £000	Transaction costs £000	**Total £000**
Bonds	0	0	**0**
Equities	0	0	**0**
Pooled investments*	17,796	1,744	**19,540**
Pooled property investments	0	0	**0**
Property	1,263	4,251	**5,514**
Alternatives	26,927	8,522	**35,449**
Cash	0	9	**9**
	45,986	14,526	**60,512**
Custody and other investment costs			**210**
Total			**60,722**

*includes the following amounts paid as part of the ACCESS pool

Link	11,622
UBS	1,525

2020/21	Management fees £000	Transaction costs £000	**Total £000**
Bonds	0	0	**0**
Equities	1,598	1,716	**3,314**
Pooled investments*	9,757	940	**10,697**
Pooled property investments	52	112	**164**
Property	964	6,833	**7,797**
Alternatives	24,970	3,742	**28,712**
Cash	0	11	**11**
	37,341	13,354	**50,695**
Custody and other investment costs			**104**
Total			**50,799**

*includes the following amounts paid as part of the ACCESS pool

Link	3,925
UBS	1,186

10. Investment income

	2020/21 £'000	2021/22 £'000
Income from bonds	0	0
Income from equities	17,464	0
Pooled property investments	261	2,496
Pooled investments – unit trusts and other managed funds	26,334	39,382
Rents from property	27,985	27,092
Interest on cash deposits	188	42
Alternative investment income	29,207	37,379
Stock lending	60	0
Other	911	130
Total before taxes	**102,410**	**106,521**

11. Investments

	Market value 31 Mar 2021 £'000	Market value 31 Mar 2022 £'000
Investment Assets		
Bonds	**0**	**0**
Equities	**0**	**0**
Pooled funds		
- Fixed income unit trusts	2,987,605	3,051,668
- Unit trusts	4,476,377	4,383,052
	7,463,982	**7,434,720**
Other investments		
Pooled property investments	72,435	87,697
Alternative investments	932,407	1,408,541
Property	471,250	577,600
Derivative contracts:		
- Forward currency contracts	73	14
	1,476,165	**2,073,852**
Cash deposits	26	27
Total investment assets	**8,940,173**	**9,508,599**

11a) Reconciliation of movements in investments and derivatives

Period 2021/22	Market value 1 April 2021 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in value during the year £'000	Market value 31 Mar 2022 £'000
Equities	0	0	0	0	0
Pooled investments	7,463,982	884,759	(1,186,157)	272,136	7,434,720
Pooled property investments	72,435	12,841	(94)	2,515	87,697
Alternative investments	932,407	381,802	(161,548)	255,881	1,408,542
Property	471,250	54,705	(31,657)	83,302	577,600
	8,940,074	**1,334,107**	**(1,379,456)**	**613,834**	**9,508,559**
Derivative contracts:					
- Forward foreign exchange	(1,513)	23,500	(6,546)	(15,428)	13
	(1,513)	**23,500**	**(6,546)**	**(15,428)**	**13**
Other investment balances:					
- Cash deposits	26			1,750	27
Net investment assets	**8,938,587**			**600,156**	**9,508,599**

Period 2020/21	Market value 1 April 2020 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in value during the year £'000	Market value 31 Mar 2021 £'000
Bonds	0	0	0	0	0
Equities	721,741	31,970	(996,537)	242,826	**0**
Pooled investments	4,870,711	2,185,617	(1,057,932)	1,465,586	7,463,982
Pooled property investments	54,268	20,712	(593)	(1,952)	72,435
Alternative investments	645,310	228,392	(120,298)	179,003	932,407
Property	455,280	32,323	(8,222)	(8,131)	471,250
	6,747,310	**2,499,014**	**(2,183,582)**	**1,877,332**	**8,940,074**
Derivative contracts:					
- Forward foreign exchange	(7,338)	11,029	(22,661)	17,457	(1,513)
	(7,338)	**11,029**	**(22,661)**	**17,457**	**(1,513)**
Other investment balances:					
- Cash deposits	105			(6,335)	26
Net investment assets	**6,740,077**			**1,888,454**	**8,938,587**

Purchases and sales of derivatives are recognised in Note 11a. Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

11b) Investments analysed by fund manager

	Market value 31 March 2021 £'000	%	Market value 31 March 2022 £'000	%
Investments part of the ACCESS pool				
ACCESS Pooled investments managed by Link				
Acadian	536,778	5.9	618,750	6.4
Baillie Gifford	1,599,468	17.7	1,423,598	14.8
Dodge & Cox	657,457	7.2	759,890	7.9
ACCESS Pooled investments managed by UBS	3,254,406	35.9	3,228,343	33.5
	6,048,109	66.7	6,030,581	62.6
Investments held outside of the ACCESS pool				
Abrdn	447,385	4.9	602,678	6.3
Alcentra	463,141	5.1	476,204	4.9
Barings	388,622	4.3	386,687	4.0
CBRE Global Investors	543,487	6.0	665,297	6.9
GCM Grovsnor	269,609	3.0	474,273	4.9
Insight	284,849	3.1	272,305	2.8
JP Morgan Alternative Asset Management	218,876	2.4	342,050	3.6
Twenty-four Asset Management	279,261	3.1	268,942	2.8
	2,895,229	31.9	3,488,436	36.2
Other investments	225	0.0	24	0.0
Other net assets	129,252	1.4	107,833	1.2
Total	**9,072,815**	**100.0**	**9,626,874**	**100.0**

All the companies named above are registered in the United Kingdom.

The Pension Fund has no investment in a single company/asset that exceeds 5% of the net assets available for benefits.

11c) Property holdings

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase or sell any of these properties. The Pension Fund is required to meet the cost of repairs, maintenance or enhancements necessary to maintain the investment income of its property assets.

The future minimum lease payments receivable by the Fund are as follows.

	Year ending 31 March 2021 £'000	Year ending 31 March 2022 £'000
Within one year	18,816	22,525
Between one and five years	61,038	62,749
Later than five years	157,336	183,942
Total future lease payments due under existing contracts	**237,190**	**269,216**

The above disclosures have been reduced by a credit loss allowance of 4.5% per annum, reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property investment manager. In accordance with paragraphs 7.2.9.1 and 7.2.9.2 of the Code the loss allowance has been calculated based on the estimated lifetime loss allowance for all current tenancies.

12. Analysis of derivatives

Objectives and policies for holding derivatives

Investments in forward currency contracts were to hedge exposures to reduce risk in the Fund by removing the exposure to foreign (non-Sterling) currency. The forward foreign currency contracts are all OTC (over the counter) contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

Open forward currency contracts

At 31 March 2022, the Fund had open forward currency contracts in place with a net unrealised gain of £0.014 million.

Settlements	Currency bought	Local value '000	Currency sold*	Local value '000	Asset value £'000	Liability value £'000
1 to 6 months	GBP	305,095	USD	(401,518)	54	0
1 to 6 months	USD	4,354	GBP	(3,334)	0	(25)
1 to 6 months	GBP	3,340	EUR	(3,958)	0	(15)
Open forward currency contracts at 31 March 2022					**54**	**(40)**
Net forward currency contracts at 31 March 2022						**14**

Prior year comparative

Settlements	Currency bought	Local value '000	Currency sold*	Local value '000	Asset value £'000	Liability value £'000
Less than 1 month	EUR	**473**	GBP	**-405**	**0**	**(3)**
1 to 6 months	GBP	215,684	USD	(299,742)	60	(1,579)
1 to 6 months	USD	956	GBP	(696)	0	(4)
1 to 6 months	GBP	2,831	EUR	(3,303)	13	0
Open forward currency contracts at 31 March 2021					73	(1,586)
Net forward currency contracts at 31 March 2021						(1,513)

* List of currencies EUR = Euro GBP = British Pound USD = United States Dollar

13. Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Market quoted investments	1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Spot foreign exchange contracts	1	Market exchange rates at the year end	Not required	Not required
Exchange traded pooled	1	Closing bid value on published exchanges	Not required	Not required

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
investments				
Unquoted bonds	2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	2	Market forward exchange rates at the year end	Exchange rate risk	Not required
Pooled investments – fixed income	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Pooled investments – property funds	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Freehold and leasehold properties	2	Valued at fair value at the year end using the investment method of Mark White, BSc MRICS of Colliers International in accordance with the *RICS Valuation – Current Global Standards*	Comparable recent market transactions on arm's-length terms	Not required
Alternative Investments – Hedge funds	3	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Alternative Investments – Private equity, infrastructure and private debt	3	Comparable valuation of similar companies in accordance with *International Private Equity Venture Capital Valuation Guidelines* where appropriate or use of third-party valuers such as *Duff & Phelps*.	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium Loan to value multiple	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with the Fund's investment managers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
		£'000	£'000	£'000
Alternative Investments - Hedge funds	5%	24	26	23
Alternative Investments - Private debt	5%	340,468	357,491	323,445
Alternative Investments - Infrastructure	10%	470,486	517,536	423,438
Alternative Investments - Private equity	10%	597,563	657,319	537,806

13a) Fair value hierarchy

Assets and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair value. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

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

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

Values at 31 March 2022	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	6,571,829	950,642	1,408,541	8,931,012
Non-financial assets at fair value through profit and loss	0	577,600	0	577,600
Financial liabilities at fair value through profit and loss	0	(40)	0	(40)
Net investment assets	**6,571,829**	**1,528,202**	**1,408,541**	**9,508,572**

Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	6,612,218	924,271	932,407	8,468,896
Non-financial assets at fair value through profit and loss	0	471,250	0	471,250
Financial liabilities at fair value through profit and loss	(2)	(1,583)	0	(1,585)
Net investment assets	**6,612,216**	**1,393,938**	**932,407**	**8,938,561**

The table includes only assets measured at fair value. Other assets included in the net assets statement valued at amortised cost are not included.

13b) Reconciliations of fair value measurements within level 3

Period 2021/22	Market value 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Alternative investments	932,407	381,802	(161,548)	255,881	**1,408,542**

Period 2020/21	Market value 31 March 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Alternative investments	645,310	228,392	(120,298)	179,003	**932,407**

14 Financial instruments

14a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and Net Assets Statement heading. No financial instruments were reclassified during the accounting period.

31 March 2021 Fair value through profit and loss £'000	31 March 2021 Assets at amortised cost £'000	31 March 2021 Liabilities at amortised cost £'000		31 March 2022 Fair value through profit and loss £'000	31 March 2022 Assets at amortised cost £'000	31 March 2022 Liabilities at amortised cost £'000
			Financial assets			
0			Fixed interest securities	0		
0			Equities	0		
7,463,982			Pooled investments	7,434,720		
72,435			Pooled property investments	87,697		
932,407			Alternatives	1,408,541		
73			Derivative contracts	54		
12,590	90,477		Cash	56,640	28,536	
	12,142		Debtors		11,039	
8,481,487	**102,619**	**0**		**8,987,652**	**39,575**	**0**
			Financial liabilities			
(1,586)			Derivative contracts	(40)		
		(4,570)	Creditors			(5,353)
(1,586)	**0**	**(4,570)**		**(40)**	**0**	**(5,353)**
8,479,901	**102,619**	**(4,570)**		**8,987,612**	**39,575**	**(5,353)**

14b) Net gains and losses on financial instruments

31 March 2021 £'000		31 March 2022 £'000
	Financial assets	
1,879,128	Fair value through profit and loss	532,283
	Financial liabilities	
17,457	Fair value through profit and loss	(15,428)
1,896,585	**Total**	**516,855**

The Administering Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

15. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

15a) Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, the Pension Fund has determined the following movements in market price risk for the 2021/22 reporting period based on a one standard deviation movement in the value of the Fund’s investments. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movements (+/-)
Overseas equities	15.56%
UK bonds	13.12%
Overseas bonds	8.81%
Property	5.09%
Alternative investments	6.20%
Cash	0.11%

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

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

Asset type	Value at 31 March £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
Total assets 2022	**9,508,599**	**1,143,058**	**10,651,657**	**8,365,541**
Total assets 2021	8,938,587	1,076,231	10,014,818	7,862,356

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates. The figures below for Fixed Interest Securities do not include the Fund's pooled investment in Index Linked Gilts. This better reflects the Fund's approach to the management of investment risk and how this analysis is applied to the Fund's different investments.

Assets exposed to interest rate risk	Value as at 31 March 2022 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Cash & cash equivalents	85,149	0	85,149	85,149
Cash deposits	27	0	27	27
Total	**85,176**	**0**	**85,176**	**85,176**

Assets exposed to interest rate risk	Value as at 31 March 2021 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Cash & cash equivalents	103,042	0	103,042	103,042
Cash deposits	26	0	26	26
Total	**103,068**	**0**	**103,068**	**103,068**

Income exposed to interest rate risk	Amount receivable as at 31 March 2022 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Cash deposits / cash & cash equivalents	42	941	983	(899)
Total	**42**	**941**	**983**	**(899)**

Income exposed to interest rate risk	Amount receivable as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits / cash & cash equivalents	194	1,242	1,436	(1,048)
Total	**194**	**1,242**	**1,436**	**(1,048)**

Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact the net assets available to pay benefits.

Currency risk

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

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

Currency risk – sensitivity analysis

Following analysis of historical data, the Pension Fund considers the likely volatility associated with foreign exchange rate movements to be 7.1% (as measured by one standard deviation).

A 7.1% fluctuation in the currency is considered reasonable based on the Pension Fund’s analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	Value at 31 March £’000	Potential market movement £’000	Value on increase £’000	Value on decrease £’000
Total assets 2022	4,807,023	**341,288**	**5,148,311**	**4,465,735**
Total assets 2021	4,333,409	254,950	4,588,359	4,078,459

15b) Credit risk

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

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

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

Credit risk on OTC derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

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

The Pension Fund has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £73.95 million (31 March 202: £97.75 million). This was held with the following institutions:

	Rating as at 31 March 2022	Balance as at 31 March 2021 £'000	Balance as at 31 March 2022 £'000
Money market funds			
abrdn (formerly Aberdeen Standard)	AAAm	5,200	9,920
Blackrock	AAAm	0	8,840
DWS	AAAm	2,590	7,960
Federated Investors UK	AAAm	4,800	8,680
Insight	AAAm	0	9,610
JP Morgan	AAAm	0	11,630
Bank deposits			
Lloyds	A+	8,670	2,810
NatWest	A	3,490	6,410
Landesbank Baden-Wurttemberg	A	12,000	0
Handelsbanken	AA-	0	8,090
Treasury bills			
UK Government	AA-	5,000	0
Local Authority deposits			
Local Authority deposits	n/a	56,000	0
Total		**97,750**	**73,950**

15c) Liquidity risk

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of illiquid assets was £2,037 million, which represented 21.8% of the total fund assets (31 March 2021: £1,436 million, which represented 16.1% of the total fund assets).

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. All financial liabilities at 31 March 2022 are due within one year.

Refinancing risk

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

16. Funding arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place at 31 March 2022 and the results are published on the Pension Fund's website 2022-ActuarialValuationReport.pdf (hants.gov.uk). The next valuation will take place at 31 March 2025.

The key elements of the funding policy are:

- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met and that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 25 years from 1 April 2022 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the value of assets held are equal to 100% of the Solvency Target as defined in the Funding Strategy Statement.

At the 2022 actuarial valuation, the Fund was assessed as 107% funded (99% at the March 2019 valuation). This corresponded to a surplus of £637 million (2019 valuation: £78 million deficit) at that time.

The aggregate employer contributions were certified as 18.1% of Pensionable Pay, plus an additional total contribution amount of £2.7 million over 2023/24, £2.8 million over 2024/25 and £2.9 million over 2025/26. Some employers were also given the option to pay their employer contributions earlier than the dates assumed in the actuary's calculations, for a discount, based on terms set out in the Rates and Adjustments Certificate.

The Fund operates three funding groups (or pools) in which participating employers share risks and pay a common primary contribution rate. All academies participate in the Academy Pool; all Town and Parish Councils participate in the Town and Parish Council Pool, and many of the charitable community admission bodies continue to participate in the Admission Body Group. Further information on these funding arrangements is contained within the Funding Strategy Statement. All other employers' liabilities and contribution rates are assessed individually.

Contribution schedules for the period to 31 March 2026 have been agreed for all employers. The contributions for employers reflect the profiles of their membership (or profile of the group in which they participate); the approach taken to value the liabilities on exit; the covenant of the employer and take into account the recovery of any surplus or deficiency relating to their participation over an appropriate period. Where annual contribution amounts have been certified to an employer to remove a deficit these are expected to increase by approximately 3.3% p.a. until 31 March 2039 (or an earlier date in some cases depending on the employer's circumstances).

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

Financial assumptions

Full details of the assumptions used by the Fund's actuary are set out in the 2022 actuarial valuation report and summarised in the Statement of the Actuary.

Generally, a common set of assumptions is adopted for all employers in the Fund with the exception of the discount rate (assumption for future investment returns) which is dependent on the circumstances of the employer. In setting the discount rate the actuary takes into account the financial risk of the employer and, if the employer is expected to exit the Fund in the future, will have regard to the funding target that will be used in an exit valuation under Regulation 64.
The main actuarial assumptions that were used for the secure scheduled bodies in the March 2012 actuarial valuation were as follows:

Discount rate	4.4% a year
Rate of general pay increases	3.3% a year
Rate of increase to pension accounts and deferred pension increases and pensions in pensions in payment (in excess of Guaranteed Minimum Pension)	2.3% a year

In addition, in 2022 an 8% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

Demographic assumptions:

A 65 year old pensioner retiring in normal health in 2022 was assumed on average to live to 88.2 (males) and 90.6 (females), rather than 87.9 (males) and 90.4 (females) under the assumptions adopted at the previous valuation
.
Allowance is made for mortality improvements such that an active member currently aged 45 is expected to live to age 88.7 (males) and 91.6 (females).

Commutation assumption:

Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.

50:50 option:

All active members were assumed to remain in the Scheme they were in at the valuation date.

17. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the Pension Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting the Fund's contribution rates and the Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 16). The actuary has also valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2022 was £13,000 million (31 March 2019: £10,141 million). The Fund Accounts do not take account of liabilities to pay pensions and other benefits earned after the valuation date.

As noted above the liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 16) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates and the circumstances of employers.

The principal financial assumptions used by the Fund's actuary for the March 2022 IAS 19 calculation were:

Discount rate	2.7%
CPI inflation / pension increase rate assumption	3.0%
Salary increase rate	4.0%

18. Current assets

	31 March 2021 £'000	31 March 2022 £'000
Debtors:		
- Contributions due - employees	369	317
- Contributions due - employers	19,894	24,848
- Transfer values receivable (joiners)	1,521	0
- Tax	3,187	3,680
- Sundry debtors	12,142	11,039
Cash balances	103,042	85,149
Total	**140,155**	**125,033**

Analysis of debtors

	31 March 2021 £'000	31 March 2022 £'000
Central government bodies	6,176	12,885
Other local authorities	14,634	19,358
Other entities and individuals	16,303	7,641
Total	**37,113**	**39,884**

19. Current liabilities

	31 March 2021 £'000	31 March 2022 £'000
Sundry creditors	4,570	5,353
Transfer values payable (leavers)	0	0
Benefits payable	495	465
Tax	862	940
Total	**5,927**	**6,758**

Analysis of Creditors

	31 March 2021 £'000	31 March 2022 £'000
Central government bodies	862	940
Other local authorities	745	2,049
Other entities and individuals	4,320	3,769
Total	**5,927**	**6,758**

20. Additional voluntary contributions

	Market value 31 March 2021 £'000	Market value 31 March 2022 £'000
Prudential	18,527	17,648
Zurich	5,800	5,525
Utmost	852	812
Total	**25,179**	**23,985**

During the year, AVCs of £2.300 million were paid directly to Prudential (2020/21: £2.309 million), £0.194 million to Zurich (2020/21: £0.263 million), and £0.003 million to Utmost (2020/21: £0.006 million).

21. Related party transactions

The Hampshire Pension Fund is administered by Hampshire County Council. Consequently, there is a strong relationship between the County Council and the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £8.475 million to the Fund in 2021/22 (2020/21 £233.465 million). The contributions paid in 2021/22 decreased significantly as a result of the County Council choosing to pre-pay its contributions for the 2020/21 to 2022/23 actuarial period in 2020/21, as set out in the Fund Actuary's Rates and Adjustments Certificate.

During the reporting period, the County Council incurred costs of £3.081 million (2020/21: £2.983 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The key management personnel of the Fund are the Director of Corporate Operations of Hampshire County Council, acting as Chief Finance Officer (CFO) to the Fund, and the Head of Pensions, Investments and Borrowing. Both of these officers charge a proportion of their time to the Hampshire Pension Fund as part of the County Council's charge for the administration of the Fund above. Details of the salary of the Director of Corporate Operations can be found in the main accounts of Hampshire County Council.

Part of the Pension Fund's cash holdings are invested on the money markets by the treasury management operations of Hampshire County Council. During the year to 31 March 2022, the Fund had an average cash balance of £79,187 million (year to

31 March 2021: £158.602 million), earning interest of £0.042 million (2020/21 £0.194 million) on these funds.

22. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2022 totalled £745.049 million (31 March 2021: £539.490 million). These commitments relate to outstanding call payments due on unquoted alternative investment and property limited partnership funds held in the alternative investments and property parts of the Fund. The amounts ‘called’ by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

In December 2018 the Court of Appeal ruled against the Government in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement is age discrimination. The underpin was a protection that was put in place when the scheme changed on 1 April 2014 and applied to members who were an active member on 31 March 2012 and were within 10 years of their normal retirement age (usually 65). The Public Service Pensions and Judicial Offices Act 2022, the main purpose of which is to support implementation of the McCloud remedy, gained Royal Assent in March 2022. Draft regulations to implement the underpin element of the remedy are expected in 2022/23. The financial impact of the remedy remains difficult to determine, but it is a potential future liability for the Fund.

Annual Governance Statement for Hampshire County Council and Hampshire Pension Fund

1. Scope of Responsibility

Hampshire County Council is responsible for ensuring that:

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

These responsibilities also extend to the administration of the Hampshire Pension Fund, which is undertaken by the Pension Fund Panel and Board. The combined Panel and Board is responsible for investment, management and governance of the Fund. This Statement explains how the County Council has complied with the Code and meets with the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement during 2021-2022.

2. The purpose of Corporate Governance

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

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

The governance framework has been in place at Hampshire County Council for the year ending 31 March 2022 and up to the date of approval of the annual report and the statement of accounts.

The County Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’. A copy of the Code is available on the County Council’s Web site at:

Code of Corporate Governance

3. Core Principles of good governance

3.1 Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

3.1.2 The County Council is committed to the highest ethical standards and has adopted a governance framework to re-enforce this philosophy as well as procedures to investigate any issues should the need arise. The framework, policies and procedures are set out in the County Council’s Code of Corporate Governance which was adopted by the County Council during 2016-17. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the County Council to integrity, ethical values and the rule of law.

3.1.3 Officers from Legal Services and Governance monitor new legislation with the assistance of on-line resources and provide an effective mechanism for tracking new legislation and ensuring that the County Council is taking appropriate steps to implement it.

3.1.4 Covid 19 Specific legislation was reviewed by senior officers in Legal Services who worked closely with Departments on the implementation of the relevant provisions.

3.1.5 The County Council continues to further strengthen the arrangements governing work to advance inclusion and diversity across the Authority and its services, extending this to encompass wellbeing. In addition to a Steering Group, chaired by the Chief Executive, and an Operational Forum, bringing together Equalities Leads and Champions, several new groups have been established. These include a Group chaired by the Director of HR, Organisational Development, Communications and Engagement to oversee the County Council’s formal staff networks and a new Wellbeing Task Group, focused on driving forward work to improve employee wellbeing. In addition, Inclusion Sponsors have been identified within each department. These Senior Offices play an important role in strengthening the County Council’s external facing inclusion work, ensuring improvement actions are embedded within departments and empowering staff at all levels to contribute to this agenda.

3.1.6 A strategic work programme is in place which demonstrates how the County Council is delivering against its Equality Objectives. This is informed by staff feedback and the results of external assessment against the National Inclusion Standard, undertaken by Inclusive Employers. The County Council received *Bronze* award following its 2019 assessment, ranking top of the category and third overall. In the autumn of 2021, the County Council was awarded Level 2 accreditation in the Disability Confidence Scheme. This Scheme encourages employers to improve how they recruit, retain and develop disabled people and will support the Council as being an employer of choice. The work programme has been further developed this year to include Health and Wellbeing and is reported on a quarterly basis to the Steering Group, and the Corporate Management Team and on a bi-annual basis to Cabinet. This activity enables the County Council to meet, and go beyond, its statutory obligations under the Equalities Act.

3.2 Ensuring openness and comprehensive stakeholder engagement.

3.2.1 The County Council's Corporate Strategy – the *Serving Hampshire* Strategic Plan - contains clear strategic aims which are communicated on the County Council's website and through various communications. The Plan provides an operating model for business planning and is informed by various departmental and partnership strategies and priorities. A revised Strategic Plan for the period 2021-2025 was agreed by the County Council in September 2021 and a further amendment in November 2021.

3.2.2 Clear guidance and protocols on decision making, effective arrangements for the approval of exempt reports and easy to use templates for decision reports and records ensure that that the County Council takes decisions in public when appropriate and after a full consideration of relevant factors. Details of the framework relevant to decision making is set out in the Corporate Governance Framework.

3.2.3 Public consultation and engagement to inform decision making is undertaken in accordance with the County Council's Consultation Policy, which includes five principles of consultation setting out when and how the County Council will consult the public. Significant and statutory consultation is supported by the County Council's Insight and Engagement Unit, which operates within the Market Research Society's ethical Code of Conduct.

3.2.4 The results of all significant consultations are presented at the relevant decision-making forum to demonstrate how participants' views have been considered.

3.2.5 Consultation methodology is based on stakeholder analysis and equality impact assessment, undertaken at the outset of planning any engagement. This informs the best approach to reaching the target audience, including those who may be harder to engage. Alongside more traditional forms of engagement, such as surveys, the County Council employs creative tools and techniques where appropriate to engage different audiences. For example in order to ensure specific groups identified as at risk of worse outcomes from COVID-19, a cohort of community researchers from these groups were identified and trained in order to undertake in-depth engagement and target messaging within their communities. Digital platforms, such as Facebook Live, are also being used to engage younger audiences and those who may find it more difficult to attend focus groups in-person. The regular residents' survey- 'Hampshire Perspectives' continues to support the County Council's insight into residents' opinions and formed a tool in informing its COVID-19 Recovery Strategy.

3.2.6 The County Council also regularly undertakes organisation-wide staff surveys on priority topics (e.g. inclusion and diversity; health and wellbeing) as part of a broader programme of employee engagement through a wide range of platforms and channels. During 2021/22, staff surveys have focussed on employees' health and wellbeing during the pandemic, as well as the County Council's new ways of working once restrictions were lifted and office-based staff could attend the office again

3.2.7 Each financial year, an annual report on the Pension Fund is prepared for the Fund's employers to consider at an Annual Employers Meeting to be held by 31 October in the next financial year. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.

3.2.8 The Investment Strategy Statement is published and made available to scheme employers within three months of any amendments.

3.2.9 Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

3.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.

3.3.1 The strategic aims set out in the *Serving Hampshire* Strategic Plan include a description of the County Council's overarching ambitions for delivering positive economic, social and environmental outcomes for Hampshire. These aims are underpinned by a series of key priorities, which reflect, and are supported by, other detailed departmental plans and strategies. Progress against the strategic aims and priorities is tracked through quarterly performance updates to the County Council's Corporate Management Team and six monthly to Cabinet. Arrangements for reporting corporate performance are set out in the County Council's Corporate Performance Management Framework. All reports to decision making bodies must also demonstrate their link to the *Serving Hampshire* Strategic Plan, as well as the results of the relevant impact assessments. Equality Impact Assessments are also required of relevant decisions, and in this year a new requirement was introduced to apply two decision-making tools to assess the carbon emissions and resilience impacts of relevant projects and decisions.

3.3.2 The new Strategic Plan 2021 – 2025 was agreed by Cabinet in July 2021 and passed by Full Council in September 2021. Alongside the new Strategic Plan, a revised corporate Performance Management Framework was agreed, which incorporates monitoring of the agreed Climate Change Strategy and the recommendations from the Hampshire 2050 Commission of Inquiry.

3.3.3 The Pension Fund Panel and Board has a fiduciary duty to ensure that investment returns are maximised for the benefit of members of the Pension Fund, but in doing so must also have due consideration to Environmental, Social and Governance (ESG) issues. The Pension Fund Panel and Board is required to produce a Responsible Investment Policy and this was updated and approved by the Board in March 2022 (subject to public consultation) and outlined the progress that had been made in particular against the Fund's carbon reduction programme and provided a commitment to the aim for its investments to be carbon neutral by 2050 in line with Government policy.

3.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

3.4.1 Clear guidance and protocols for decision making and the involvement of legal and finance officers in all significant decisions of the County Council ensures that decisions are only made after relevant options have been weighed and associated risks assessed. Details of the guidance and protocols are set out in the Code of Corporate Governance.

3.4.2 The Director of Corporate Operations advises the Pension Fund Panel and Board and its Responsible Investment sub-committee on all Pension Fund investment and administrative matters.

3.4.3 The Pension Fund's independent adviser advises the Panel and Board on investment matters.

3.4.4 The Pension Fund Panel and Board uses the Fund's actuary and other consultants as necessary, for advice on matters when in-house expertise is not available. The Panel and Board takes advice from the actuary, the Fund's investment managers or specialist consultants or advisers as required on allocating assets and investment return targets.

3.4.5 Equality Impact Assessments (EIAs) are used throughout the organisation to assess the impact of service proposals and to inform decision making. A review group including the Head of Legal, Head of Finance, Departmental Equalities Leads and Departmental Transformation Leads was put in place to oversee the production and review of EIAs relating to SP23 proposals and to produce the cumulative EIA to understand the overall impact of savings proposals on groups with characteristics protected under the Equalities Act (2010). A new requirement for departments to assess the equality and inclusiveness of their services and develop action plans accordingly was also introduced in 2021.

3.4.6 The budget setting process is well established and Departments prioritise budgets and spending in order to achieve intended outcomes. In recent years' the budget setting process has inevitably focussed on the achievement of savings to offset the increased costs of pay and price inflation and growth in social care services, but this aims to be achieved whilst remaining true to the Council's strategic aims and objectives. This includes the consideration of the wider social value that the County Council can generate through its operations.

3.4.7 A medium-term financial strategy and three-year capital programme is updated each year together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the County Council operates. The absence of a multi-year financial assessment has made financial planning difficult, but the County Council continues to plan for the medium-term using assumptions set out in the Medium-Term Financial Strategy (MTFS).

3.4.8 Risks associated with the achievement of intended outcomes are detailed in the corporate electronic Risk Register which itemises risks held at Corporate and Department level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation. Corporate and departmental risk registers have been reviewed and updated. These risk registers are regularly reviewed by the Corporate Risk Management Board, with key risks being reported to CMT.

3.4.9 The Reading Hampshire Property Partnership Limited (RHPP) is a public-to-public partnership arrangement between Hampshire County Council (HCC) and Reading Borough Council (RBC) for the delivery of property related services. The RHPP was formally established as a limited company in April 2014 and is operated in accordance with the Companies Act 2006. Two named senior officers from each partner organisation are appointed to the roles of Directors of the RHPP and the Board of Directors meets formally twice a year. The RHPP accounts are filed with Companies House and appropriate insurance is held to cover risks. A revised annual report is being developed that will include financial reporting, progress against the RHPP business plan and partnership objectives and benefits of the arrangement and will be reported to the Executive Member for Commercial Services, Estates and Property.

3.4.10 The County Council holds a joint 999-year lease with Basingstoke and Deane Borough Council of around 820 hectares of land located to the west of Basingstoke known as Manydown. In respect of the first phase, the land north of the main Southampton to London railway referred to as Manydown North, the two Councils have entered in to two separate but related Joint Venture arrangements. The first, established between the two Councils is the Manydown Garden Communities (MCG) LLP, whilst the second known as the Manydown Development Vehicle (MDV) LLP is between the two Councils (as MGC) and the selected development partner Urban and Civic Ltd. Each JV has a regular Board meeting and various legal agreements set out the basis of the County Council's representation at each Board and the associated roles and responsibilities for each Board Director. For the MGC LLP, there is one Elected Member and 2 Senior Officer representative (including approved substitutes). For the MDV LLP, the County Council's interests (on behalf of MGC) are represented by the same 2 Senior officers, together with a third nominated Officer, again with approved substitutes. The Member and Development Agreements set out: the responsibilities of each Board; delegation policies and matters to be escalated; approval of either an Annual and/or Overarching Business Plan (including Budget); the measurement of performance against each Plan, together with the management and oversight of potential emerging risks and issues. The MGC LLP and MDV LLP accounts are separately audited and reported to Companies House. The Annual/Overarching Business Plan(s) are reported to the County Council's Executive Member for Policy and Resources for approval.

3.4.11 The governance of *Connect2Hampshire* is underpinned by the LLP Members agreement, which sets out in detail the management arrangements for the joint venture through its Board and Executive Board. The membership of these boards includes the Director of HR, OD, Communications and Engagement as one of the two LLP Board Members, as well as a further Senior Officer of the County Council as a Member of the Executive Board. This enables the County Council's interests to be fully represented within the decision making of the LLP, as well as ensuring the successful performance of the LLP to meet the County Councils broader workforce objectives. The Board's responsibilities include agreement of the annual business plan, understanding the LLPs performance against this plan, and the management and oversight of potential emerging risks and issues. The expected levels of service performance are set out within a separate Joint Accountability Statement agreed between HCC and the LLP, with performance against defined Key Performance Indicators being reviewed on a quarterly basis through meetings held between Connect2Hampshire and Senior Officers of the County Council. Clear routes of escalation exist through to HCC's Corporate Management Team, should this be required.

3.4.12 Further details of the County Council's response to the Covid 19 Crisis are set out in a series of reports to Cabinet set out in the Schedule to this Statement.

3.5 Developing the County Council's capacity including the capability of its leadership and the individuals within it

3.5.1 The relationship between Members and Officers is led by the Leader of the Council and the Chief Executive who have established a culture of mutual respect and co-operation. The role of the Chief Executive is set out in the

County Council’s Constitution and is well understood by the Members of the County Council. The Protocol for Member Officer Relations also provides clear guidance for both officers and Members on how to manage their relationships effectively.

3.5.2 Following the County Council’s all-out election in 2021, an innovative Member Induction Programme, supported by the cross-party Member Development Group, was delivered against the backdrop of Covid-19. This involved several virtual sessions covering key organisational topics such as local government finance, adult and children’s safeguarding, education, inclusion and diversity, climate change, data protection and handling social media, together with in-person events held in line with Government’s Covid-19 guidelines and e-learning to ensure both new and returning Members were inducted as soon as possible during challenging times. The established monthly Briefing Programme continues to be well received. The Council moved to virtual delivery of the Programme during 2020 which resulted in high levels of attendance due to the flexibility virtual delivery offered, and the Programme continues to be delivered in this way. The Programme has included annual corporate topics such as finance, treasury management and the County Council’s workforce reporting together with regular Covid-19 updates and focusing on economic recovery and resilience from the Chief Executive and Corporate Management Team. Members also have the opportunity to participate in external training events and seminars to support upskilling and knowledge refresh.

3.5.3 Members of the Joint Pension Fund Panel and Board and officers in Corporate Services have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate.

3.5.4 A training plan for members of the Joint Pension Fund Panel and Board has been prepared, and training logs for individual members are maintained.

3.5.5 The County Council continues to regularly review the shape of its workforce against the needs of the service in the context of its capacity and capability requirements. This then informs a range of strategies, for example, recruitment, retention, operating models, ways of working and people development to provide effective leadership and deploy appropriate resources to meet the needs of services. In addition, each Department has a Workforce Strategy that aligns the strategic objectives of the services delivered with strategic workforce requirements.

3.5.6 The Annual Workforce Report continues to provide a good understanding of our people in relation to the various stages of the ‘employee life-cycle’ (Attract, Resource, Onboard, Develop, Reward and Recognise, Progress and Perform, Retain and Exit), and references areas of attention and further work to be undertaken to address the workforce challenges arising as a result of the pandemic.

3.5.7 The Council's Valuing Performance policy provides a framework for staff and managers to meet, discuss and set goals in line with service requirements, following which regular reviews of performance, learning and progress takes place. Staff continue to be held accountable for their own and their teams' performance and are encouraged to use the range of learning opportunities that are available across the Council.

3.5.8 The Council has a thorough management and leadership development program available both for existing leaders as well as those identified as 'high potential'. These leadership programs are underpinned by a leadership competency framework.

3.5.9 Our leadership programmes are in the process of being reviewed to take account of the changing needs of our workforce in order to ensure that they are addressing the management and leadership needs of our staff, taking particular account of the changes in our ways of working, IDW agenda, and the increasing challenge to balance service delivery and demand.

3.5.10 Organisational development is approached through a variety of means including through regular joint Corporate and Departmental Management discussions. Lessons learnt exercises are regular practiced where necessary and appropriate and are undertaken through a 'system wide' perspective. We continue to use our agreed 'organisational' principles to shape and develop areas of organisation design and development to ensure our operating models are fit for purpose over the short to medium term.

3.5.11 There is an emphasis on the need for high performance and resilience, of which health and wellbeing and continuous development are critical elements in the regular discussions between managers and staff particularly during the period of extended home working for many staff groups. The suite of resources has been further developed during the year and provides a significant range of information and support for managers and staff. Health and Wellbeing continue to be a key focus for CMT, the IDW Steering Group and Directors and their DMTs and forms part of regular discussions at team meetings across the organisation.

3.5.12 To further support our understanding of our workforce's experiences during the pandemic and to support recovery, an Inclusion and Wellbeing Survey of all staff was undertaken in May 2021, alongside the regular monthly wellbeing 'pulse' survey where 1/12th of the organisation is polled. Results of these surveys have helped inform and shape the County Council's new ways of working for office-based staff

3.5.13 The Wellbeing Task Group, chaired by the Director of Public Health and Director of HR, OD, Communications and Engagement with actions embedded within the overarching strategic Inclusion, Diversity and Wellbeing work program have continued to lead in this space alongside representatives from all Departments.

3.5.14 The County Council recognises the importance of its staff networks to supporting the inclusion and diversity of its workforce. All formal networks continue to have action plans in place, which align with and support the strategic Inclusion, Diversity and Wellbeing work programme. Of specific note during 2021/22 is the work undertaken in support of our people who classify themselves as disabled has enabled conversations across the organisation entitled ‘let’s talk about being disabled’ in order to support individual and organisational learning and development.

3.5.15 The Corporate Management Team have also commissioned a review of the Inclusion and Diversity Strategy and Action Plan, both of which are on-going.

3.5.16 Inclusion and Diversity activity is now overseen by the Director of HR, OD, Communications and Engagement.

3.6 Managing risks and performance through robust internal control and strong public financial management.

3.6.1 The County Council’s Corporate Strategy is underpinned by the Corporate Performance Management Framework, which establishes how the quality of services for users is to be measured and reviewed on a regular basis. This includes quarterly reporting of progress against the Serving Hampshire Strategic Plan. The County Council’s Annual Performance Report is published on the County Council’s website and includes a summary of key areas of performance, including an analysis of any major performance risks and mitigations, as well as providing an overview of sources of external validation and customer feedback. The Corporate Performance Management Framework has been revised alongside the new Strategic Plan, and has been implemented from April 2022.

3.6.2 The County Council has in place a Risk Management Strategy that is currently being developed into a longer term 2022-2025 version to be approved by Cabinet. Oversight of the Strategy is provided by the Corporate Risk Management Board, who drive forward initiatives and improvements to achieve the Strategy’s aims and objectives. This includes provision of corporate guidance on risk management best practice, to support staff to manage risk effectively and consistently.

3.6.3 To further strengthen risk management arrangements a new cross departmental Health & Safety Management Group has been formed to feed directly into the Corporate Risk Management Board. The Risk Management Board continue to report on a quarterly basis to CMT, setting out the Corporate Strategic Risk Register, Department key risk updates and any broader developments, improvements or emerging risks. The Risk Management Board submit an annual report to the Audit Committee who are responsible for considering the effect of the County Council’s risk management arrangements and having oversight of the Corporate Strategic Risk register. The corporate guidance for staff clearly sets out the organisation's governance structure for managing risk effectively, including roles and responsibilities.

3.6.4 Key operational and strategic risks (including those related to Covid-19) at both department and corporate level are actively managed and monitored by a named Risk Owner and Risk Control Manager. These risks are recorded in the Corporate Risk Management System and must have review dates and state the governance structure that is providing adequate monitoring and oversight of risk controls. All risks on the Corporate Strategic Risk Register are also reviewed on an annual basis by the Risk Management Board with the relevant Risk Owner/Control Manager.

3.6.5 A comprehensive Information Governance Framework is in place, overseen by the Data Protection Officer, with further oversight by the Risk Management Board, which includes Senior Information Risk Officers representing each Department.

3.6.6 The County Council regularly monitors its IT systems in the context of cyber security and in recognition of the ever-changing risks in this area, a programme of work has been undertaken to strengthen and improve our cyber security arrangements going forward.

3.6.7 The Audit Plan 2021-22 was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the County Council's key risks and objectives, this includes a periodic review of the County Council's risk management processes.

3.6.8 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the County Council.

3.6.9 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Anti-Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.

3.6.10 The delivery of the internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to Senior Management and the Audit Committee.

3.6.11 The County Council's Audit Committee is well established and reports to Full Council. Members of the Audit Committee have no executive responsibility for the management of the organisation, thus ensuring that they are sufficiently independent to scrutinise and challenge matters brought to their attention.

3.6.12 The Audit Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.

3.6.13 The County Council has a well-developed and effective scrutiny function, the structure of which is formalised through the County Council's Constitution. A pre-scrutiny approach enables Members to be engaged early in the process to ensure they can robustly challenge the Council's decision-making, to participate in policy review and development, and monitor the performance of the County Council as a whole. A wide range of policy topics have been scrutinised in line with the organisation's strategic objectives including in-depth scrutiny by way of task and finish activity. With the continuing Covid-19 situation, the Policy and Resources Overview and Select Committee has considered the financial impact of Covid-19 on the Council, economic recovery and resilience. The scrutiny function is supported by experienced officers in Democratic and Member Services together with input from specialist officers in the service departments.

3.6.14 The County Council has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the Corporate Management team and all formal financial decision making has the benefit of the advice and review of the Chief Financial Officer or his representative.

3.6.15 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.

3.6.16 Financial management in key risk areas across the County Council focusses on activity and performance management alongside the budget management processes and the financial management framework throughout all tiers of the organisation is appropriately advised and supported by the Finance Department, with a particular focus on the change management programmes that have been a feature of Departmental activity for many years. A framework for the roles and responsibilities of budget holders and their interaction with the Finance Department has been rolled out across non-social care departments and are proving effective in improving the financial accountability and expectations of budget managers. This programme has been extended and will continue over the next year within the social care departments.

3.6.17 The new CIPFA Financial Management (FM) Code was formally adopted across local government from the 2021/22 financial year. The FM Code sets out the six principles of good financial management, which it then translates into a list of financial management standards which local authorities should test their conformity against. The County Council has undertaken an evidence backed assessment of its compliance with all of the financial management standards in the Code. Based on this, the County Council has ascertained that it is compliant with the Code. Although compliant the County Council will still always actively seek to make further developments and improvements as opportunities are identified for example through risk reviews and performance management.

3.6.18 Following the outbreak of Covid-19, the County Council has been closely monitoring all aspects of the financial impact of the crisis. During 2021-2022 Directors have continued to review the impact on a monthly basis. Appropriate reporting has developed as the pandemic progressed and settled into quarterly reporting to the Corporate Management Team and on to Cabinet at regular intervals. The County Council has continued to report pandemic costs and losses to MHCLG/DLUHC and has ensured appropriate claiming and application of relevant Government grant

3.6.19 Financial resilience within the County Council has remained strong throughout the pandemic, and funding has been identified to supplement Government grant to meet the one-off costs and losses of Covid-19, expected to continue until 2023-2024, without significantly impacting on the wider financial strategy.

3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.

3.7.1 The report writing guide, protocols and templates referred to in the Code of Corporate Governance and the involvement of senior departmental officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.

3.7.2 The Corporate Performance Management Framework provides a transparent cycle of reporting on core performance metrics to the Corporate Management Team and Cabinet. Corporate performance reports are published online and are accessible to staff, partners and the public.

3.7.3 The 'Internal Audit Charter' is presented annually for approval by the Audit Committee. The Charter makes provision that 'Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and, in particular, those who serve on committees charged with governance (i.e. the Audit Committee).'

3.7.4 The on-going work of internal audit is presented through a quarterly progress report to Audit Committee providing an overview of service performance; delivery against the plan; and progress made by the organisation in the implementation of management actions agreed to mitigate risks identified through internal audit work.

3.7.5 Representatives of External Audit routinely attend Audit Committee meetings and present all External Audit reports. Any recommendations for corrective action detailed within External Audit reports are highlighted to Members who will track through to implementation. This is achieved through the clear and concise nature of the minutes to each meeting couple with the inclusion of any overdue recommendations within the internal audit progress report.

3.7.6 The internal audit plan includes provision to review the County Council's approach to governance, risk and controls for partnership working. Such reviews are formally reported through the Audit Committee with any significant issues highlighted accordingly.

3.7.7 Where appropriate internal audit will gain assurances from third parties to contribute to their overall assurance opinion.

3.7.8 Financial reporting complies with relevant statute, codes and good practice guidance and financial and performance information are reported consistently throughout the year alongside each other. Where relevant and appropriate performance comparisons are made to other organisations.

4 Obtain assurances on the effectiveness of key controls

4.1 Appropriate assurance statements are received from designated internal and external assurance providers.

4.2 Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on regular returns. These are consolidated into the risk registers at corporate and departmental level. Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed.

4.3 This assurance is given to each manager in respect of the controls they are responsible for in the form of an audit report and regular summaries are provided for Chief Officers and the Audit Committee to ensure each level of the County Council's management is kept informed of findings and opinions.

4.4 External sources of assurance include the annual opinion and value for money conclusion by external auditors, and statutory inspections of adults' social care services, and children's services. These reports are subject to consideration by senior management and Members of the County Council, and appropriate response to any recommendations for improvements are agreed. These reports and responses are normally approved in public and published.

4.5 External sources of validation are being increasingly used to inform assessment of the organisation's performance as a core part of the Corporate Performance Framework.

5 Evaluate assurances and identify gaps in control/assurance

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

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

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

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

- a self-assessment assurance statement being completed every year by all Chief Officers giving assurance about the governance arrangements in their Department.
- consultation with other relevant officers throughout the County Council.

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5.5 In line with the Internal Audit Charter approved by the Audit Committee in July 2021 and which is available on the County Council's website, the key elements of the Corporate Governance framework are risk assessed and reviewed periodically by Internal Audit.

5.6 The assurance statements cover a range of Corporate Governance and performance issues which refer to the existence, knowledge and application within departments of governance policies generally.

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

5.8 Departmental Corporate Governance assurance statements were sent out to Departments in early 2022.

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

6.1 The longer-term Risk Management Strategy 2022-25 and Risk Register will be taken for approval by Cabinet in mid-2022 following endorsement by CMT. The Risk Management Board will drive forward the Strategy aims and objectives, with particular focus on improvements to the corporate risk management system to incorporate renewed control effectiveness descriptions and evidence that measures are sufficient. **Action Owner Patrick Blogg**

6.2 A training programme to further develop staff and managers to manage risk effectively, will be developed. This will include specific session with the Audit Committee to work through in more detail the corporate risk management processes and governance. **Action Owner Patrick Blogg**

6.3 ETE will continue to test its Business Continuity processes and procedures through a series of regularly planned exercises, involving relevant operational services and the Department Management Team. Learning from these exercises, alongside actual events such responding to significant weather events, will be embedded into revised processes and procedures as necessary. **Action Owner Mike Bridgeman**

6.4 The CareDirector Implementation will support the improvement in the recording of client data through:

- Data migrated to the new system will be subject to data validation rules to ensure the records are in line with Data Retention rules
- As part of the system training staff will receive reminders about GDPR and best recording practice, like good searching techniques to avoid duplicates, data quality, and their responsibilities. All CDir users will be required to sign a new Form of Undertaking via the LMS which will record their knowledge and adherence to Data Protection law and HCC policy
- The CareDirector System includes functionality for supporting greater data quality such as:

System setting **RequiredPersonSearches** – this dictates the number of person searches that must be completed before a new person record can be created.

Duplicate Detection rules – These are applied on record creation and will warn users if they might be about to create a duplicate.

Merge records – there is functionality to merge records if duplicates are detected by the scheduled job.

The CareDirector Go-live date is currently being replanned for implementation in 2023. **Action Owner Sarah Snowdon**.

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

In response to the Action Plan identified in the 2020/21 Annual Governance Statement: -

7.1 The robust Risk Management Framework has been strengthened further through the embedding of key processes and systems, and the introduction of risk management guidance for all staff. All key department and corporate strategic risks have been transferred into new Risk Management System and are now actively managed and monitored. Regular and proactive monitoring continues to provide reassurance through the corporate strategic risk review cycle, departmental DMT reviews of key risks and the quarterly reporting cycle to CMT.

7.2 Whilst no specific weaknesses have been identified, a programme of work has been undertaken to strengthen the County Council's cyber security arrangements to ensure they keep pace with the ever-changing threat of cyber-attack.

7.3 The County Council has published its new Strategic Plan, setting out its strategic priorities for the period 2021-2025, and alongside this. the current Performance Management Framework has been updated and has been implemented from April 2022.

7.4 To ensure health and safety risks are sufficiently represented at a corporate level, a new corporate Health and Safety Management Group has been set up. Along with the Resilience Management Group and the Information Governance Steering Group, all three subgroups feed directly into the corporate Risk Management Board.

7.5 The EIA guidance has been updated and a new tool was developed and implemented in May 2021.

7.6 The pandemic has caused an increase in demand which is likely to have had a negative impact on recording. All staff have access to personal computers for portable use to ensure access to recording despite working from home, with options for staff to work from the office should it be needed. There is a renewed focus upon improving recording in 22/ 23 with the development of a new recording system. The new design is incorporating improvements in access and ease of recording. This is likely to be introduced later in 2022/ early 2023. Training on proportionate recording is being prioritised. There is a particular focus on recording of safeguarding through management meetings and an increase in detailed safeguarding training being provided which includes recording. Safeguarding meetings are now recorded to ensure timely and accurate recording. A quality assurance framework has been introduced with managers auditing the quality of recording regularly. Excellent practice validation standards have been introduced which incentivise practitioners to ensure good practice in this area. The social care practice manual is being reviewed to ensure that the best guidance is available to staff on recording.

7.7 The Action Plan for 2021 identified a two-phase corporate approach to Contract Management training. This is designed for non-professional Contract Managers as a prerequisite to acquiring contract management responsibilities, to ensure consistency of approach. The first phase has now been launched in the form of an online training module, providing Managers with an overview of the fundamentals of managing contracts and outlining their responsibilities. The second phase which will include an assurance framework and checklist, will be developed to help departments to understand if their contracts are being managed effectively and thereby delivering their intended outcomes, is due to be finalised and launched in the second half of 2022. The combination of these two phases will ensure that there is effective, compliant and proactive management of contracts within Departments.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this Statement.

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

Signed:	Signed:
Carolyn Williamson	*Councillor Rob Humby*
Chief Executive	Leader of the Council
Date: 6 October 2022	Date: 11 October 2022

Schedule-Covid 19 Update Reports

Report to Cabinet 13 July 2021

Report to Cabinet 12 October 2021

Report to Cabinet 7 December 2021

Report to Cabinet 8 February 2022

Report to Cabinet 15 March 2022

Glossary

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

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

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

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

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

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

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

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

Budget requirement
Planned spending to be met from council tax, general Government grants and business rates.

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

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

Comprehensive Income and Expenditure Statement (CIES)
Statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

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

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

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

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

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

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

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

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

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

Dedicated Schools Grant (DSG)
A Government grant that can only be used to fund expenditure within the schools' budget.

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

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

Deposit
Receipt held that is repayable in prescribed circumstances.

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

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

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

Developers’ contribution
Developers may be required to provide contributions for building infrastructure. These may result from the Community Infrastructure Levy, section 106 and section 278 planning obligations, or planning conditions.

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

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

Earmarked reserve
See Reserve.

Equities
Shares in UK and overseas companies.

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

Expected credit loss
An estimate of the losses an authority expects it will incur from financial instruments.

Expected loss allowance
The Council is unlikely to recover some debts because something has happened since the debt was raised. An assessment of the reduction in recoverable debt is made both individually (for individually significant debts) and collectively.

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

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

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

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

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

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

Gross book value (GBV)
The original or revalued cost of an asset before the deduction of depreciation.

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

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

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

Historical cost
The amount originally paid for a fixed asset.

Impairment loss
A loss arising from an event that significantly reduces an asset’s value, such as physical damage or a fall in market value.

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

Intangible assets
Assets that do not have physical substance but are identifiable and controlled by the Council and bring benefits to the Council for more than one year, such as computer software.

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

International Financial Reporting Standards (IFRS)
International accounting standards that govern the treatment and reporting of income and expenditure in an organisation’s accounts.

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

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

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

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

Local Government Pension Scheme (LGPS)
The LGPS is a nationwide scheme for employees working in local government or working for other employers participating in the Scheme.

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

Long-term borrowing
A loan repayable in more than one year from the Balance Sheet date.

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

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

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

Net assets statement
A statement showing the net assets of the Pension Fund.

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

Net current liabilities
The amount by which current liabilities exceed current assets.

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

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

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

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

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

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

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

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

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

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

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

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

Public Works Loan Board (PWLB)
A central government agency that provides loans to local authorities at a slightly higher rate than the Government is able to borrow. In most cases, the interest rates offered are lower than local authorities can achieve in the open market.

Receipt in advance
A receipt that is attributable to a future financial year.

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

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

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

Revenue contributions to capital
The use of revenue funds to finance capital expenditure.

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

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

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

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

SAPS
Self administered pension scheme

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

Short-term investments
An investment that is readily realisable within one year.

Specific grants
Central Government grants to finance a particular service.

Straight-line basis
Dividing a sum equally between several years.

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

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

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

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

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

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

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

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

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