

**East Hampshire District Council
Annual Report and Statement of Accounts**

2024/2025

Contents

	Page
Annual Report	
<u>Director of Finance's Narrative Report</u>	2
<u>Annual Governance Statement</u>	16
Statements to the Accounts	
<u>Statement of Responsibilities for the Statement of Accounts</u>	26
<u>Independent Auditors' Report to the Members of the Council</u>	27
Key Financial Statements	
<u>Comprehensive Income & Expenditure Account</u>	32
<u>Movement in Reserves Statement</u>	33
<u>Balance Sheet</u>	34
<u>Cash Flow Statement</u>	35
<u>Expenditure & Funding Analysis Statement</u>	36
Explanatory notes	
<u>Notes to the Core Financial Statements</u>	37
<u>Notes to Accounts Accounting Policies</u>	73
<u>Collection Fund (including notes)</u>	87
<u>Glossary of Terms</u>	89

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Annual Report - Director of Finance's Narrative Report

Introduction

The Statement of Accounts for East Hampshire District Council for the year ended 31 March 2025 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local East Hampshire residents, Council Members, partners, other stakeholders and interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts. The deadline for completion of the accounts for 2024/25 is 30th June for the unaudited statement of accounts and 28th February 2026 for the audited statement of accounts.

As the financial statements demonstrate, the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and operate in an environment of continuous improvement.

This narrative report is structured as follows:

1. An Introduction to East Hampshire
2. Summary of Achievements
3. Governance
4. Summary of the 2024/25 Financial Performance of the Council
5. Strategic Risks
6. Liability for Pensions Costs
7. Future Plans
8. Material assets/liabilities
9. Explanation of the Financial Statements
10. Acknowledgements

1. An Introduction to East Hampshire

The district of East Hampshire covers approximately 514km² of the eastern part of the county of Hampshire. There are roughly 120,000 people living in the district, which benefits from being part of the South Downs National Park. The district is home to more than 6,000 businesses (most of which are small businesses) and is mostly rural with the largest towns being Petersfield and Alton.

East Hampshire District Council is comprised of 43 councillors (elected every four years) and operates according to the leader and cabinet model. The Council was controlled by a coalition between Conservative (19) and Whitehill & Bordon Community Party (6). The remaining seats were shared between Liberal Democrat (14), Green (2), Labour (1) and Independent (1).

The councillors are supported by around 300 full time equivalent members of staff, who co-ordinate the provision of more than 70 services from Monterey House on the outskirts of Petersfield.

The Council's income comes from a variety of sources. Against a backdrop of decreasing funding from central government, the Council has worked hard to continue delivering efficient and effective services to residents and businesses. It is committed to careful and sustainable management of its resources in an upcoming time of change and will prioritise the needs of local people and businesses as it undergoes transformation.

East Hampshire District Council has made substantial investments in commercial property in order to fund its services and deliver value for money for its residents.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

2. Summary of Achievements

East Hampshire District Council sets out its strategic aims and objectives in its Council Strategy, which describes the 'different we want to make to the residents, businesses and visitors of East Hampshire'. The strategy is composed of four interlinked themes:

- Environmental Sustainability
- Economic Growth and Prosperity
- Thriving Communities
- Modern and Efficient Council

The achievements are reported Quarterly to Members, here are extracts of those by each Quarter.

Quarter 1

- District Team launched who will be the 'eyes and the ears' of the district and will investigate fly-tips, manage anti-social behaviour, enforce litter laws and help handle dangerous and inconsiderate parking
- Council relocated offices to be greener and more efficient, creating a better working environment for staff and ultimately reducing costs to the taxpayer. Already making an impact on carbon reduction with 165kwp solar panel system, batteries and six electric vehicle charging points
- New easy-to-access Case Management system went live which provides residents with a more user-friendly digital experience if they want to apply, pay or report something - 1,220 cases completed within the first two weeks
- 17 schemes funded from the Community Infrastructure Levy
- Carbon Audit completed for 2023/24
- Leader Projects launched – Green Loop Free Cycle Hire (May 2024 – with 76 already taken part) and Farm Discovery Project (May 2024 – with three schools already signed-up)
- Grow Up! programme – DLUHC reporting completed and approved – programme on track
- Key commercial ventures - EHCS closure / RegenCo to wind down by end of September 2024

Quarter 2

- £1.1m received on 1st July 2024 from MHCLG (previously DLUHC) for Grow Up!
- 8,771 cases were completed via the Case Management system in Q2.
- 17 schemes funded from the Community Infrastructure Levy
- Grants launched - Grow Up Community Fund (£130,000), Rural Grants (£302,000), Community Climate Action Fund (£158,782)
- Leader Projects: Green Loop Free Cycle Hire - 139 residents taken up scheme (May – August) and Farm Discovery Project - 3 schools signed up
- Validation of Planning applications has improved from a three-week backlog in June to an average of three working days up to the end of August.
- Planning Team has closed more than 150 cases in Q2. Two successful appeal decisions
- Whitehill & Bordon - Health Hub planning application approved, 680 dwellings being built, 5 Northern Gateway bids received and being assessed
- Affordable Housing – 15 units developed in Q2
- Dementia Festival hosted 30 local group and hundreds of residents - Inspiring festival helps people living with dementia | East Hampshire District Council (easthants.gov.uk)
- EHDC has been awarded the Gold Award as part of the Employer Defence Recognition Scheme - Gold award reinforces our commitment as 'forces-friendly' council | East Hampshire District Council (easthants.gov.uk)
- Successful fly tip prosecution - Four Marks resident fined for fly tipping | East Hampshire District Council (easthants.gov.uk)
- Local Plan campaign, consultation and correspondence with Government - Leader call for clarity on Government planning proposals | East Hampshire District Council (easthants.gov.uk)
- Climate and Environment Strategy launched - New strategy sets East Hampshire's climate priorities | East Hampshire District Council (easthants.gov.uk)

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Quarter 3

- New approach to asset-based community development launched via popular stakeholder conference: <https://www.easthants.gov.uk/news/2024/new-approach-community-development>
- Successful launch of the fortnightly kerbside glass collection (was monthly) with comprehensive communications campaign
- £250,000 for new building and host of events and activities at Butser Ancient Farm as part of our ambitious Grow Up! Programme: <https://www.easthants.gov.uk/news/2024/grow-funding-lays-foundations-bright-future-butser-ancient-farm>
- Work on new play park in Whitehill & Bordon starts, funded by £164 developer contributions <https://www.easthants.gov.uk/news/2024/work-starting-fantastic-new-play-park-whitehill-bordon>
- Hundreds of residents attend our Dementia Festival: <https://www.easthants.gov.uk/news/2024/inspiring-festival-helps-people-living-dementia>
- Nine projects supported by the Rural Grants programme across the district with more than £300,000 from government funding: <https://www.easthants.gov.uk/news/2024/nine-projects-backed-rural-grants-scheme>
- District Team successfully clamp down on flytipping cases with positive media coverage: <https://www.easthants.gov.uk/news/2024/fly-tipper-fined-after-waste-dumped-chalton-beauty-spot>
- Ended the Quarter with zero households in B&B
- Embedded new Senior Leadership Team structure, recruitment went live for Executive Director roles
- Preparations for the Corporate Peer Challenge were underway for review by LGA in January 25.
- EHDC was awarded 'Best Council' at the Mercy4Mankind Awards in December
- New planning system went live in December – to make it easier for users
- Final implementation stage of the financial systems completed and now live.

Quarter 4

- LGR & Devolution – agreement of the interim response to LGR and submission of the Council's response to Hampshire Devolution proposals
- Grow Up Programme – 6 projects totalling £1.1m have been delivered
- Rural New Directions employment outreach scheme has exceeded its targets
- Whitehill & Bordon Town Centre - major milestone reached with confirmation of a Sainsbury's foodstore to be delivered by summer 2026 a Banking Hub by end of April 2025
- The Petersfield Royal British Legion in partnership with EHDC and the local MP's Office held the East Hampshire Veterans Festival at the Festival Hall in Petersfield, with over 80 veterans attending.
- The first EHDC asset transfer has made significant progress in Q4, with a preferred operator identified and approval from Cabinet to progress with the asset transfer of this much loved facility to a community organisation
- The East Hants Debt Outreach case worker, funded through Welfare Funding reached 86 clients. This resulted in more than £35,000 of debt being written off and almost £30,000 of debt payments rescheduled, supporting some of East Hampshire's most vulnerable residents
- 2025/26 Budget approved at Full Council

Key Business Indicators

The table below contains some of our key corporate performance indicators in 2024/25, with comparison figures from 2023/24, we have sought to improve our performance reporting by adding further key performance measures which we now monitor during the year.

Key Performance Indicator	2024/25	2023/24
Business Rates collection rate	96.46%	97.8%
Council Tax collection rate	98.33%	98.4%
Homelessness interventions (above 600 for the year)	781	939
Customer satisfaction with service centre (above 97%)	94.7%	98.4%
Freedom of Information requests responded within statutory deadline (above 95%)	99%	99%

ANNUAL REPORT – FINANCE NARRATIVE REPORT

3. Governance

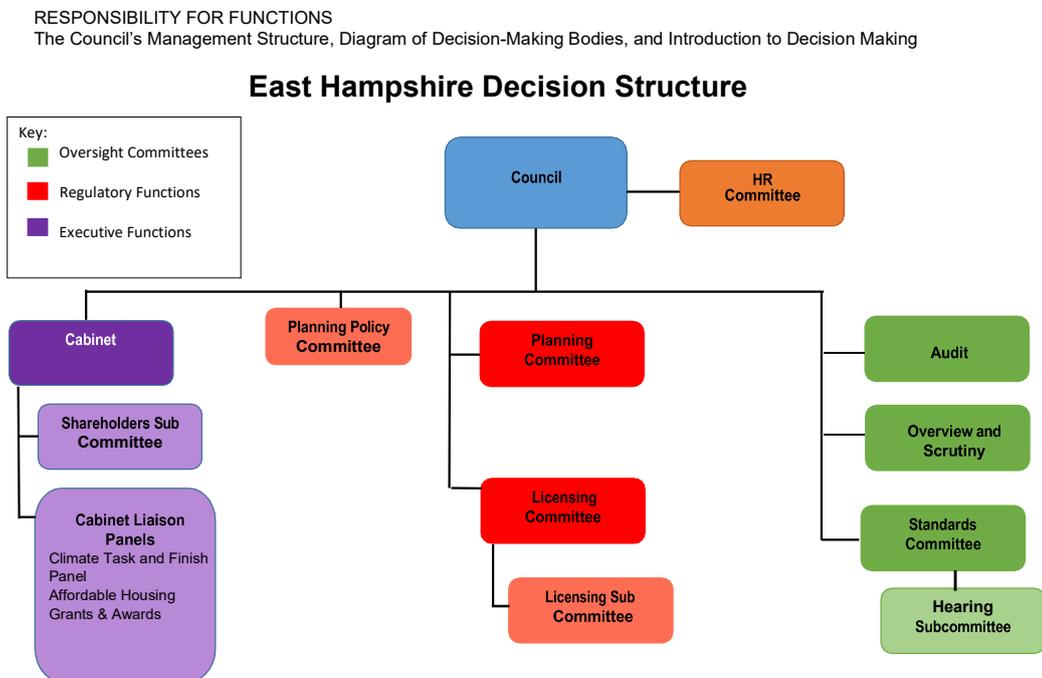
Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved. For example, the Strategy Board meets weekly and considers, when appropriate, internal audit, risk management, health and safety, emergency planning, information governance, and any complaints received from the Local Government Ombudsman.

The Council

East Hampshire District Council is made up of 43 councillors elected every four years. Councillors are democratically accountable to the residents of their ward. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

All councillors meet together for Full Council meetings six times a year. These are held in public and are used to decide the council's overall policies and set the budget each year.

All the Councillors meet as Full Council and set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for East Hampshire District Council that were in place during 2024/25.



Cabinet

East Hampshire District Council runs on a 'Leader and Cabinet' model. This works in the same way as the Prime Minister and Cabinet but on a local scale. The political coalition forms the Cabinet and elects one of its members as the Leader (currently Councillor Richard Millard).

The Cabinet makes collected policy decisions for the council. The Cabinet will be advised and supported in its policy formulation role by Scrutiny and Policy Development Panels, with particular areas of responsibility and encompassing a broad range of opinion and expertise. In addition, it is also advised by a number of committees.

The Cabinet has to make decisions which are in line with the council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the council as a whole to decide.

Each Cabinet Member is responsible for an area of the council's work, known as portfolios.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Overview & Scrutiny Committee

The Committee is made up of 8 Councillors and met 8 times during the year.

The Committee has the remit to;

- Review and scrutinise the decisions made and performance of the Executive and/or council officers both in relation to individual decisions and the impact of those decisions over time
- Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas

Audit Committee

The Committee is made up of 6 Councillors and met 5 times during the year.

The Committee had the remit to;

- provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Planning Committee

The Committee is made up of 13 Councillors and met 8 times during the year.

The majority of planning applications are dealt with by council officers under delegated powers from the Planning Committee as they are relatively straight forward.

The Planning Committee's function is:

- to deal with applications for planning permission and the conduct of planning appeals. It considers the larger more controversial applications.
- Changes of use, for example a building changing from a newsagent to a fish and chip shop, are also deemed to be developments requiring planning consent.

The committee also has an enforcement role in ensuring that planning conditions are complied with and that unacceptable development which has taken place without the necessary planning permission is removed or ceased and is responsible for the protection and preservation of trees.

Licensing Committee

The Committee is made up of 15 Councillors and meets as required. The Licensing Committee is responsible for licensing and registration functions.

The full list of matters includes:

- hackney carriage and private hire taxis (and drivers);
- theatre licences; game dealers;
- entertainment licences; and
- lotteries.

Standards Committee

The Committee is made up of 6 Councillors and met 3 times during the year.

The Standards functions are:

- to promote and maintain high standards of conduct by Members and Co-opted Members of the Council;
- to adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity;
- to put in place arrangements to investigate and make decisions on written allegations against Elected Members both at District and Parish level and undertake an overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other benefits in cases of maladministration etc.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Planning Policy Committee

The Committee is made up of 10 Councillors and met 8 times during the year.

The Planning Policy Committee functions are:

- to agree the emerging content of the East Hampshire District Council Local plan throughout its preparation
- to agree the draft East Hampshire District Council Local Plan for public consultation (Reg 18)
- to recommend to Council the proposed submission East Hampshire District Council Local Plan for public consultation (Reg 19) and any modifications necessary through to adoption.
- to agree the draft East Hampshire District Council Community Infrastructure Levy (CIL) charging schedule and draft spending protocol.

Human Resources Committee

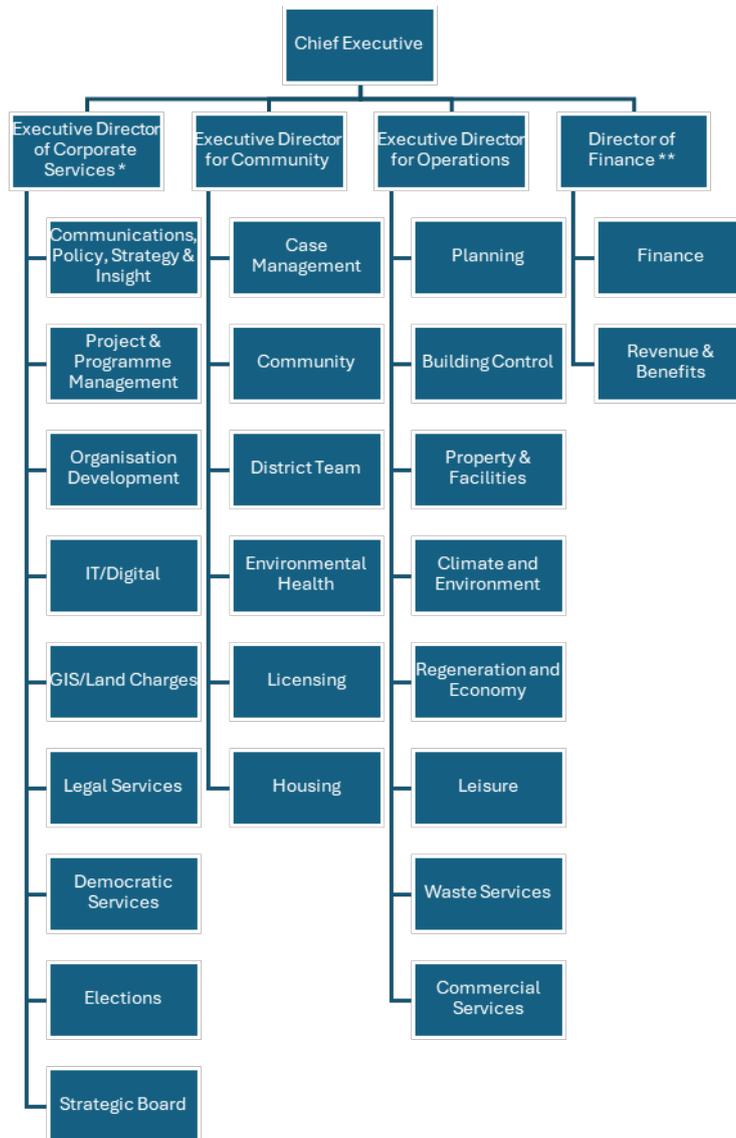
The Committee is made up of 6 Councillors and met 6 times during the year.

In addition to the above there are various sub-committees including Constitution, Shareholders and Licensing sub-committee which met as required during the year.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Management Structure

Supporting the work of elected Members is the organisational structure of the Council headed by the Executive Team. This is comprised of East Hampshire District Council's most senior officers. The Council appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. The structure shown below was incorporated in November 2024 following a restructure within the Council.



* Monitoring Officer

** Section 151 Officer

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Staffing

A summary of the Council's staffing is shown in the table below:

Employees	2024/25	2023/24
Total number of current permanent full and part time employees	272	296
Total number of current temporary / fixed term employees	*	*
Total number of employees	272	296
Total number of employees expressed as full-time equivalents	245	270

*- Not available

Sickness and accident statistics are shown in the table below:

	2024/25	2023/24
Short term sickness (days per FTE)	2.38	2.2
Long term sickness (days per FTE)	5.22	7.3
Overall sickness (days per FTE)	7.59	9.5

ANNUAL REPORT – FINANCE NARRATIVE REPORT

4. A Summary of the 2024/25 Financial Performance of the Council

General Fund

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year. Our overall position was an overspend of £317,000 which was achieved during significant change to the Council and continued pressures being experienced.

Directorate/Service	Final Budget £'000	2024/25	Variance £'000
		Outturn £'000	
Community			
Case Management	1,160	1,053	(107)
Community	1,499	1,419	(80)
District Team	(1,690)	(1,154)	536
Environmental Health	923	838	(84)
Licensing	129	143	14
Housing	24	29	5
SEHF Savings	11	0	(11)
Total Community	2,055	2,328	273
Operations			
Planning	1,743	1,882	139
Building Control	135	87	(48)
Property & Facilities	(5,764)	(5,490)	274
Climate and Environment	148	148	0
Regeneration and Economy	612	619	7
Leisure	(1,658)	(1,368)	289
Waste Services	6,488	5,438	(1,050)
Commercial Services	9	26	17
SEHF Savings	0	0	0
Total Operations	1,713	1,341	(372)
Corporate Services			
Communications, Policy, Strategy & Insight	555	459	(97)
Project and Programme Management	352	382	30
Organisational Development	470	569	99
IT/Digital	1,765	1,929	164
GIS / Land Charges	(3)	(4)	(0)
Legal Services	716	882	167
Democratic Services	733	754	22
Elections	227	190	(37)
Strategic Board	1,264	1,296	33
SEHF Savings	0	0	0
Total Corporate Services	6,077	6,457	380
Finance			
Finance	1,008	828	(181)
Corporate Finance	104	138	35
Revenue & Benefits	571	597	26
Total Finance	1,683	1,563	(120)
Operating Expenses			
Operating Expenses	4,259	4,419	160
Other Earmarked Reserve Movement			0
Total Operating Expenses	4,259	4,419	160
Total Cost of Service	15,788	16,108	320
Funding			
Council Tax & Business Rates	(12,977)	(12,423)	554
General Grants	(2,854)	(3,031)	(177)
Movement in Reserves	43	(337)	(380)
Total Funding	(15,788)	(15,791)	(3)
Net (Surplus) / Deficit	0	317	317

ANNUAL REPORT – FINANCE NARRATIVE REPORT

General Fund: Capital Programme

The General Fund Capital Programme is summarised in the table below:

East Hampshire District Council Capital Programme Summary	2024/25 Budget £'000	2024/25 Outturn £'000	2024/25 Variance £'000
Waste Depot - feasibility review	100	0	(100)
ICT Equipment	150	5	(145)
ICT Improvement Programme	500	807	307
Audio Visual equipment	0	57	57
Investment Portfolio Activity	2,000	120	(1,880)
Penns Place regeneration	0	20	20
Sustainability Projects	100	0	(100)
Leisure Provision	2,000	0	(2,000)
Housing Initiatives	2,800	0	(2,800)
Externally Funding Capital Activity			
Disabled Facilities Grants	1,691	2,206	515
Alton Station Forecourt	0	93	93
Changing Places Toilets	0	105	105
UK Prosperity Fund	807	655	(152)
Rural England Prosperity Fund	294	298	4
S106/CIL activity	0	165	165
Alton Leisure Centre work	0	298	298
Total Capital Programme	10,442	4,829	(5,613)
Funding			
REFCUS (Revenue funded as Capital under Statute)	1,691	2,206	515
External Grants & Contributions	3,101	1,614	(1,487)
Use of Specific Reserves	750	889	139
Use of Capital Receipts	4,900	120	(4,780)
Borrowing Requirements	0	0	0
Total Funding	10,442	4,829	(5,613)

5. Strategic Risks

The Council maintains a risk register which details the major corporate risks facing its functionality and the delivery of its corporate objectives. Services maintain their own risk registers and can escalate a risk to the corporate register if necessary.

6. Liability for Pensions Costs

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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 Council with expert advice about the assumptions to be applied.

The Council's net Pension Liability valued on an IAS 19 basis decreased from £5,968 million at 31st March 2024 to £1.814 million at 31st March 2025. It is detailed in Note 42 to the accounts. Gross liabilities have decreased by £14,820 million mainly due to changes in financial assumptions, and the fair value of assets has decreased by £8.651 million.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

The Council does not operate its own Pension Fund but is part of the Hampshire Local Government Pension Scheme which is administered by Hampshire County Council. Full details of the Pension Scheme and its accounts are available on-line at www.hampshire.gov.uk

7. Future Plans

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

The Medium Term Financial Strategy continues to indicate that due to reductions in government funding and demands on Council services as well as more general economic changes the financing of the Council services remains challenging.

To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future. The Council has an approved transformation programme 'Shaping East Hampshire's Future' which will seek to address the challenges the Council faces going forward.

The Medium Term Financial Strategy

The Council's Medium Term Financial Strategy has been updated for 2024/25 in February 2024 and 2025/26 in February 2025. This considers inflation (both pay and contract) and other known changes. This showed a balance MTFs over the next 5 years.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

The medium term financial strategy for the period 2025/26 to 2029/30 is set out in the table below was approved by Full Council in February 2025.

	2025/26	2026/27	2027/28	2028/29	2029/30
	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Community					
Case Management	1,072	1,072	1,072	1,072	1,072
Community	1,292	892	892	892	892
District Team	(1,593)	(1,693)	(1,693)	(1,693)	(1,693)
Environmental Health	882	882	882	882	882
Licensing	120	120	120	120	120
Housing	(96)	(96)	(96)	(96)	(96)
SEHF Savings	(107)	(107)	(107)	(107)	(107)
Operations					
Planning	1,476	1,476	1,476	1,476	1,476
Building Control	117	117	117	117	117
Property and Facilities	(5,410)	(5,366)	(5,321)	(5,276)	(5,231)
Climate & Environment	108	108	108	108	108
Regeneration & Economy	626	626	626	626	626
Leisure	(1,921)	(1,921)	(1,921)	(1,921)	(1,921)
Waste Services	6,959	7,406	7,966	8,226	8,506
SEHF Savings	(369)	(369)	(369)	(369)	(369)
Corporate Services					
Communications, Policy, Strategy & Insight	499	499	499	499	499
Projects and Programmes	403	403	403	403	403
HR	438	438	438	438	438
IT/Digital	1,834	1,834	1,834	1,834	1,834
Data & Intelligence/GIS/Land Charges	(2)	(2)	(2)	(2)	(2)
Legal Services	538	538	538	538	538
Democratic Services	776	776	776	776	776
Elections	238	238	238	238	238
Executive Office	783	783	783	783	783
SEHF Savings	(234)	(234)	(234)	(234)	(234)
Finance					
Finance	928	928	928	928	928
Corporate Finance	(825)	(825)	(825)	(825)	(825)
Revenue & Benefits	1,078	1,078	1,078	1,078	1,078
Total Cost of Services	9,610	9,601	10,206	10,511	10,836
Savings to be identified	0	(192)	(832)	(1,212)	(1,881)
Prior Year savings	0	(50)	(100)	(150)	(200)
Political priorities	30	30	30	30	30
Salary inflation	486	953	1,460	1,991	2,533
SEHF Savings	(545)	(672)	(672)	(672)	(672)
Revenue cost of capital expenditure	4,452	4,452	4,452	4,492	4,802
Net Cost of Services	14,033	14,122	14,544	14,990	15,448
Parish Precepts	4,952	4,952	4,952	4,952	4,952
Business Rates Retention	(3,201)	(3,265)	(3,330)	(3,397)	(3,465)
Section 31 grant	(2,860)	(2,917)	(2,975)	(3,035)	(3,096)
Levy payment	486	496	506	506	506
Business Rates Collection Fund (surplus)/Defic	(150)	400	400	400	400
Council Tax growth inc base	(12,981)	(13,288)	(13,597)	(13,916)	(14,245)
Council Tax Collection Fund (surplus)/Deficit	0	0	0	0	0
General Grants					
Funding Guarantee	(2,490)	(500)	(500)	(500)	(500)
Contributions to/(from) Earmarked Reserves	2,211	0	0	0	0
Contributions to/(from) General Fund Balance	0	0	0	0	0
Funding	(14,033)	(14,122)	(14,544)	(14,990)	(15,448)
Balance Deficit/(Surplus)	0	0	0	0	0

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Capital Strategy 2025/26

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which seeks to provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how associated risk is managed
- the implications for future financial sustainability

The Council's Capital Strategy for 2025/26 was approved by Full Council in February 2025 and is available on the Council's website. Within the capital strategy is the Capital Programme for 2025/26 to 2029/30 was prepared to mirror the 5 year timeframe of the MTF5.

East Hants District Council Capital Programme Summary Project		2024/25 £'000	PROGRAMME 2025-2030 £'000	5 YEAR CAPITAL PROGRAMME FOR MODELLING					TOTAL 2025-2030 £'000
				2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	
Previously approved Project/Capital Activity									
ICT Equipment	150	750	150	150	150	150	150	150	750
Investment Portfolio Activity	2,000	10,000	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Waste Depot	0	1,500	0	1,500	0	0	0	0	1,500
Sustainability Projects	100	500	100	100	100	100	100	100	500
Wetside	2,000	4,000	2,000	2,000	0	0			4,000
Housing Initiatives	2,800	0	0	0	0	0	0		0
ICT Improvement Programme	500	0	0	0	0	0	0	0	0
Waste Depot - feasibility review	100	0	0	0	0	0	0	0	0
New Capital Activity									
Environment Waste Vehicles inc Food	0	4,626	2,976	1,650	0	0	0	0	4,626
District replacement vehicles	0	120	60	60	0	0	0	0	120
Externally Funded Capital Activity									
Disabled Facilities Grants	1,691	6,764	1,691	1,691	1,691	1,691	1,691	0	6,764
UK Prosperity Fund - Development of Grow Up Farm	807	327	327	0	0	0	0	0	327
Rural England Prosperity Fund - Assistance to small rural business and community infrastructure	294	0	0	0	0	0	0	0	0
Grand Totals	10,442	28,587	9,304	9,151	3,941	3,941	2,250		28,587
APPROVED									
5 YEAR CAPITAL PROGRAMME FOR MODELLING									
Projected Capital Financing									
1. REFCUS (Revenue funded as Capital under Statute)	1,691	6,764	1,691	1,691	1,691	1,691	1,691	0	6,764
2. External Grants & Contributions	1,101	327	327	0	0	0	0		327
3. Use of Specific Reserves	750	750	150	150	150	150	150	150	750
4. Use of Capital Receipts/Future Sales	4,900	12,746	5,136	5,310	2,100	100	100	100	12,746
5. Borrowing Requirement	0	4,000	0	0	0	2,000	2,000	2,000	4,000
6. Use of Developer Contributions	2,000	4,000	2,000	2,000	0	0	0	0	4,000
Total Projected Funding	10,442	28,587	9,304	9,151	3,941	3,941	2,250		28,587

8. Material assets/liabilities

The Council disposed of an Investment Property asset during the year.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

9. Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. There have been no changes to policies.

These statements contain a number of different elements which are explained below.

Statement of Responsibilities sets out the respective responsibilities of the Council and the Chief Finance Officer.

Independent Auditor's Report gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Statement of Accounts

- **Comprehensive Income and Expenditure Statement** shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation.
- **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.
- **Balance Sheet** shows the value of the Council's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the reporting period.
- **Collection Fund** is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

10. Acknowledgements

I would like to thank all those involved in managing the Council's finances and preparing this Statement of Accounts. Their support under ever increasing competing demands has been appreciated throughout these challenging times.



Matthew Tiller
Chief Finance Officer
Date 30th June 2025

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement

Executive summary

This Annual Governance Statement 2024-25 (AGS) welcomed the approval of East Hampshire District Council's (EHDC or the Council) updated Council Strategy 2024-28, on 25th July 2024.

This was a reset to our strategic ambitions and priorities and is underpinned by a number of themed sub-strategies and annual workplans.

This AGS sets out the detailed activities undertaken by the Council during the year and reviews the areas that have enabled the Council to assess the effectiveness of its governance arrangements.

In January 2025, the Council welcomed a Corporate Peer Challenge (CPC), independently conducted by the Local Government Association (LGA). Their report makes invaluable reading, with praise for services across the organisation and highlighting areas of good practice.

While the report gave good independent assurance to EHDC's governance arrangements, it has helpfully suggested areas for further improvement. These were areas that the Council was already addressing and have been incorporated into the AGS 2024-25 Action Plan, appended to this AGS.

The CPC report also confirms EHDC's view that there are no major governance issues at EHDC.

Key in-year challenges-

New policy and legislative changes- Following the 2024 General Elections, public authorities received a raft of new policy issued by Central Government in key areas. These have necessitated EHDC redirecting its resources to assess and respond to these.

Devolution and Local Government re-organisation- The proposals for devolution and local government reorganisation were published in the English Devolution White Paper on 16th December 2024. This has been an urgent priority, with very tight response deadlines set by Government, that has had to be factored into the Council's strategy and work programme.

The activity with regard to devolution and local government reorganisation has demonstrated the workings of our governance arrangements well. Communication with staff and councillors on this issue, has worked through effectively. As it has developed, these have been reported to Overview and Scrutiny Committee, Cabinet and Council. There has been timely publication on the issues on the Council's website. EHDC is actively collaborating with external partner councils to ensure the appropriate governance processes in order to support this new workstream.

Shaping East Hampshire's Future (SEHF) programme- Significant transformation achievements include moving to the new council offices at Monterey House, completing a Senior Leadership Team restructure, bringing IT in-house and updating the IT estate and undertaking significant service redesign including the introduction of a case management system. The Council has also transitioned to a new payroll provider.

The Council is now progressing the second phase of the SEHF programme, SEHF2. The programme is clearly linked to the Medium Term Financial Strategy (MTFS) and Council Strategy 2024-28. This was confirmed in the CPC report.

Summary of key conclusions.

It is our opinion that the overall operation of governance arrangements for the year of review 2024-25, was fit for purpose and that there were no major governance issues of note.

While it is our opinion that corporate governance for 2024-25, along with supporting controls, procedures and methodology was strong, we propose over the coming year to take steps to address the relevant governance matters as identified in our AGS Action Plan 2024-25.

The Council sees its commitment to good governance as a continuing journey and is satisfied that these additional actions will only serve to further enhance our effectiveness. We will closely monitor implementation and operation of these new actions, and report outcomes at the next Annual Governance Review.

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

How the overall opinion has been agreed

The Council has looked across its local governance arrangements as outlined in its Local Code of Corporate Governance and reviewed its effectiveness over the review year.

The Council is of the opinion that, overall, its governance processes are fit for purpose. Further assurance has been gained from both the internal and external audit functions and in addition to this, the 2025 CPC report.

This AGS has been written collaboratively with Strategy Board and submitted to the Cabinet and Audit Committee for consideration, challenge and agreement.

Governance outlook and commitment to ensure that governance will be fit for purpose.

Following its review on effectiveness and independent feedback gained from internal and external audit and the CPC report, the Council considers that its internal governance arrangements are in a positive place and are robust enough to support future challenges. Any areas for improvement have been identified in the AGS Action Plan 2024-25 and will be monitored by Strategy Board and Cabinet.

Significant changes or areas of improvement the authority will be actioning in the forthcoming year.

These are as identified in the AGS Action Plan 2024-25. In summary, the significant changes or areas of improvement for the Council are:

- Update Financial Procedure Rules and Contract Standing Orders.
- Update the Council's Workforce Strategy.
- Improved governance and oversight over East Hampshire Norse Limited.
- Respond and complete any actions as directed by the External Auditor in relation to 2023-24 accounts.
- Working with Overview and Scrutiny Committee members to achieve improved agenda management.

Opinion

It is our opinion that corporate governance, along with supporting controls and procedures, is strong. We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed:



Gill Kneller
Chief Executive



Cllr Richard Millard
Leader

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

Governance activity during 2024-25

- Agreed the Council Strategy 2024-28, supporting strategies and action plans;
- Progressed the Council Local Plan 2021-2040 process;
- Facilitated the Local Government Association (LGA) Corporate Peer Challenge (CPC) review;
- Progressed and met all the key actions/targets set out in the Shaping East Hampshire's Future (SEHF) programme, including the implementation of a new Senior Leadership team structure;
- Implemented improvements to governance overview for commercial property portfolio;
- Implemented a new Customer Case Management system;
- Finalised the transfer of the IT services in-house, including data transfer;
- Finalised the implementation of a new finance system;
- Transitioned to a new payroll provider jointly procured with Portsmouth City Council;
- Successfully dealt with the electoral administration for the district in the 2024 General Elections;
- Dealt with a high number of councillor code of conduct complaints, mainly relating to town and parish councils;
- Completed council office move to new premises at Monterey House, aimed at meeting the carbon zero agenda;
- Completed the transition of holding all Council and Committee meetings at Monterey House;
- Agreed and implemented new arrangements for dealing with Councillor Code of Conduct complaints;
- Regularly updated the Constitution, Schemes of Delegation and key governance policies in a planned and focussed manner, to reflect ongoing requirements;
- Refined and rationalised the investment property strategy to reflect market forces;
- Rationalised the procurement pipeline for the Council;
- Collaborated (and continuing to collaborate) with Hampshire local authority partners to respond to the Government's call for Devolution and Local Government Re-organisation.

Our assessment of effectiveness

Review of effectiveness

As part of the AGS preparation and review each year, the Council reviews the effectiveness of its governance framework including the system of internal control, including reviewing its Local Code of Corporate Governance.

Based upon this and our focus on some key areas, the Council is satisfied that arrangements are in place and operating effectively to support and deliver each of the principles of good governance.

The review of effectiveness is also informed by the following areas:

Area	Review of effectiveness
Political leadership	<ul style="list-style-type: none"> • The Corporate Peer Challenge (CPC) report confirms that the Leader “provides a clear vision for the Council. He is widely credited for his entrepreneurial approach and being effective at sharing his opinions”. • It also confirms “Political groups work sensibly together. There is a constructive working relationship between the two ruling groups. There are some relatively new councillors including independents and there have been good efforts made to build relationships.” • The Leader and Cabinet portfolio holders attend the Overview and Scrutiny Committee to answer questions and update on matters within their areas of responsibility. • A Councillor Development Panel has been convened to advise the Council on an ongoing basis, as to member development and training. This is kept under review throughout the municipal year. • The Council is reapplying for Charter status in 2025 and reassessment is due in July 2025. • The Council adopted a revised Councillor Development Strategy and Councillor Competency Framework on 24th April 2025, after consideration by the Standards Committee on 11th March 2025. • A new Council Strategy 2024-28, and other underpinning strategies and delivery plans, were approved by EHDC's Council on 25th July 2024. The Council Strategy is a key strategic document that articulates the vision, values and priorities of the organisation and provides a framework for putting the Council's resources to best use. • During the year the Overview & Scrutiny Committee considered numerous items forming strategic corporate projects/policies. The Chairman of the Overview & Scrutiny Committee provided his annual report, detailing the

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

	<p>work of the Overview and Scrutiny Committee to EHDC's Council on 24th July 2024.</p> <ul style="list-style-type: none"> • During the year the Audit Committee considered key reports within its terms of reference, including, quarterly reviews of the Shaping our Future programme. The Chairman of the Audit Committee provided his annual report, detailing the work of the Audit Committee to EHDC's Council on 24th July 2024.
Officer leadership	<ul style="list-style-type: none"> • The CPC report says that “there are strong officer/member relationships with mutual respect and that political priorities are understood by officers. Their advice is well received and informs member decisions”. • There is a good working relationship between the Chief Executive and Leader. • The Statutory Officers (the Chief Executive, Section 151 Officer, and Monitoring Officer) meet on a regular basis and work effectively as a ‘Golden Triangle’. • Both the Section 151 Officer and Monitoring Officer report directly to the Chief Executive and are members of Strategy Board. • The Council's Constitution is regularly updated in order to facilitate effective and transparent decision making, including to reflect recent structural senior leadership changes. • These changes are affected using either the Monitoring Officer's delegated authority or if changes are significant, through the Constitution Liaison Panel, Standards Committee and Council for final approval. • Any changes made under the Monitoring Officer's delegated authority, are also reported to the Council for transparency. • The Strategic Risk Management Officer Group aspires to cover matters of governance including risk, health and safety, business continuity, emergency planning, information governance and financial risk. • The Strategic Risk Management Group's Terms of Reference and membership were reviewed and updated to reflect the Council's SEHF Transformation Programme. This is kept under continuous review and is giving consideration to expanding on the additional governance areas above. • The Strategic Risk Management Officer Group's membership includes the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner. • Updates are provided to Strategy Board, Cabinet and Audit Committee via quarterly performance reporting.
Internal assessment and monitoring	<ul style="list-style-type: none"> • There are regular reporting arrangements in place regarding the financial affairs of the Council. The Budget for 2024-25 was agreed by the Council on 27 February 2025. • Financial performance is reported on a quarterly basis to Members. • There is effective operation of the Performance Management Framework throughout the year. • Quarterly performance information on key areas of performance is provided to Strategy Board and related Officer panels for review and action. • The majority of service performance indicators were met during the year. Where they were not met, appropriate action to ensure compliance was taken by the responsible Executive Director. • An Annual Governance Questionnaire is sent out as part of every annual AGS review, to track areas identified for improvement in the previous year. This survey asks service managers for their self-assessment of the effectiveness of governance arrangements in their service area and at the Council. The questionnaire is aimed at a high level and seeks to reflect that good governance is everyone's responsibility – the survey ran for 3 weeks, and the number of responses received for survey was 52 %. • The results of the 2024-25 questionnaire highlighted the following: <ul style="list-style-type: none"> ○ There were good levels of confidence in most governance arrangements, indicated by the majority of scores assigned to 1 ('Evidence of consistently meeting criteria') or 2 ('Meets criteria, but room for improvement').

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

	<ul style="list-style-type: none"> ○ Areas of strength: <ul style="list-style-type: none"> ▪ <u>Good</u> general awareness of corporate governance requirements. ▪ <u>Good</u> sharing and understanding of key corporate messages. ▪ <u>Clear</u> corporate communications and messaging. ▪ <u>Good</u> and robust internal and external audit functions. ▪ <u>Good</u> induction and training programmes for Councillors. ▪ <u>Good</u> understanding of internal decision making processes. ▪ <u>Good</u> understanding of how and where Service and Corporate risks can be identified. ▪ <u>Good</u> regular reporting on team performance and outcomes. ▪ Audit Committee recommendations are prioritised and implemented in a timely way. <p>Any relevant issues flagged in the AGS questionnaire returns last year, were addressed during 2024-25. Any areas for improvement in this year's questionnaire, is reflected in the AGS Action Plan 2024-25. A Teamtalk session was held to update staff on where to locate key governance policies and what these related to. The Council Strategy 2024-28 (that updates on the previous corporate strategy) was agreed by the Council in July 2024. Ongoing work, as recognised in the CPC report, is being done on councillor training and development. The new senior leadership structure is now in place and it has been identified as a priority to produce an up to date Organisational Development (Workforce) Strategy, which should include the planned East Hampshire Manager and Employee programme to cover workforce needs and development and succession planning.</p>
<p>Financial arrangements and responsibilities of Chief Finance Officer (s151)</p>	<ul style="list-style-type: none"> • The Chief Finance Officer (CFO) is the Responsible Financial Officer and is a member of the Strategy Board, reporting directly to the Chief Executive. The Chief Finance Officer is responsible for delivering and overseeing the financial management arrangements of the Council. • The CFO also responsible for ensuring alignment with the Code of Practice on Local Authority Accounting for 2024-25. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2015). • The CPC reports says "The council's financial management and planning processes and governance are sound and robust and demonstrate good practice with a sharp focus on delivery of the Corporate Strategy priorities. The Strategy Board and Cabinet consider regular reports. All reports to Full Council, Cabinet and Committees, and all executive and officer decision reports, require finance comments and sign-off."
<p>Monitoring Officer</p>	<ul style="list-style-type: none"> • This role is held by the Executive Director of Corporate Services and Monitoring Officer (MO). • The MO is a member of the Strategy Board, reporting directly to the Chief Executive. In addition to this statutory role, the MO is responsible for the range of corporate services to the Council. • All reports to Full Council, Cabinet and Committees, and all executive and officer decision reports, require legal comments and sign-off. • The MO works closely with all elected members, advising as required. • The MO has responsibility for dealing with Code of Conduct complaints for district, town and parish councillors.
<p>Internal Audit</p>	<ul style="list-style-type: none"> • The Council's internal audit service is provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An Internal Audit Annual Audit Plan, based on a full risk evaluation, is approved annually. • Progress against the Annual Audit Plan is reported quarterly to the Audit Committee. • Any outstanding actions are reported to Strategy Board to ensure that these are escalated where necessary and completed within a reasonable timescale. • The Southern Internal Audit Partnership's Internal Auditors' Annual Internal Audit Conclusion between 1 April 2024 to 31 March 2025 is summarised as

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

	<p>follows:</p> <p>“I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are ‘reasonable’, and audit testing has demonstrated controls to be working in practice.</p> <p>Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”</p>
External Audit	<ul style="list-style-type: none"> • The audit for 2023/24 was completed by EY by the backstop date of 28th February 2025. The outcome was a limitation of scope on 2 areas (Collection Fund and Capital Grants in Advance). • The backstop date for the 2024/25 accounts is the 27th February 2026.
EHDC Local Code of Corporate Governance	<ul style="list-style-type: none"> • The arrangements in the EHDC Local Code of Corporate Governance were reviewed this year and submitted for approval to the Audit Committee. • It is the view that these arrangements are operating effectively in supporting the Council to deliver its strategic priorities as set out in the Council Strategy 2024-28. • It is acknowledged that some key standing orders such as the Financial Procedure Rules and Contract Standing Orders require an update to reflect the new structure in respect of delegations and spending authority, to ensure a robust system of internal controls and checks. This is being progressed as a priority. • The CPC report says “The council’s financial management and planning processes and governance are sound and robust and demonstrate good practice to deliver the Corporate Strategy priorities.” • Please refer to the AGS Action Plan 2024-25 appended to this AGS.

Where our governance needs to improve

The recent CPC report has given independent external assurance on the effectiveness of EHDC’s governance arrangements.

Their recommendations for improvement on governance have included in the AGS Action Plan 2024-25. While EHDC was already aware that these areas required attention, it was helpful to have these independently identified by the LGA team.

Good governance is a continuing journey and there will be ongoing issues identified that will need to be addressed. It is our view, however, that none of the recommendations are significant omissions of governance.

This AGS and AGS Action Plan has been reported and monitored under our constitutional arrangements.

Identify where there are significant gaps in governance arrangements such as where core arrangements are not operating effectively.

Apart from the matters highlighted in this AGS and AGS Action Plan, no significant gaps were identified.

Significant governance failures that occurred during the year and action taken.

Nothing significant was identified.

Areas where governance arrangements could be easier to understand and comply with.

These areas were highlighted in the CPC Report and have been included in the AGS Action Plan.

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

AGS Action Plan 2024-25

Action	Commentary	Timescale	Responsible Officer(s)
1. Update of Organisational Development (Workforce) Strategy to include planned East Hampshire Manager (EHM) Programme	This initiative is part of SEHF2, proposals for the East Hampshire Manager and Employee programme are being developed for agreement at Strategy Board for future implementation. It is recognised that this is key to support staff during the next few years with Local Government Reorganisation and upskilling. We have also expanded the scope to create the “East Hants Manager and Employee” programme and as a first step, we are procuring a performance improvement system, finalising scorecards and training managers for a system go live in the next three months.	June 2025	HR Manager
2. Shaping East Hampshire’s Future Phase 2 (SEHF2)- simplify reporting formats and complete scheme of delegation updates	Work is underway currently to ensure that reporting is reviewed from its current format and schemes of delegation updated.	May 2025	Strategy Board
3.Presentation of MTFs- format change for next budget setting cycle.	The document presentation will be reviewed with the CFO and Portfolio Holder to consider if improvements can be made in the future.	September 2025	Chief Finance Officer
4.Update of Financial Procedure Rules and Contract Standing Orders	The Council should regularly update its Financial Procedure Rules and Contract Standing Orders, to ensure a robust system of internal controls and checks and therefore good governance. The Finance and Legal teams are working on these updates for reporting to Standards Committee and Council in 2025-26.	December 2025	Executive Director of Corporate Services & Monitoring Officer Chief Finance Officer
5. Continue to shape a Member development programme to include councillor roles, scrutiny skills, work planning, and a buddying system.	EHDC are currently seeking reaccreditation for the councillor training programme supported by the Councillor Development Panel, which has recently refreshed the Councillor Development Strategy. This is due to be considered by Full Council in April 2025. This will help to inform a councillor development programme, which will be member-led and monitored by the cross party panel.	May 2025	Executive Director of Corporate Services & Monitoring Officer
6. Overview and Scrutiny agenda management.	Delivery of internal and external training for Overview and Scrutiny members was completed in 2024-25. Officers will continue to work with the O&S Chairman to develop a focused work programme. The O&S Chairman to attend the South East Employers (SEE) established “Member and Officer Scrutiny Network” to share best practice.	Delivery of training both internally and externally for members of the Overview and Scrutiny Committee was completed in 2024-25. Remainder of actions- September 2025	Democratic Services Manager
7. Equalities and Diversity- update policy and arrange refresher training.	There is scope to consider and embed equality diversity more fully into the organisation.	June 2025	Equalities and Diversity Lead Officer
8. Governance refresh for East Hampshire Norse Limited.	Strategy Board agreed action on 2 nd April 2025 to ensure that the Council’s shareholder function over East Hampshire Norse Limited is exercised in accordance with the shareholders’ agreement to ensure effective scrutiny over the company.	September 2025	Executive Director of Operations
9.Joint Municipal Waste Management Strategy refresh	Opportunity to improve scrutiny over recycling and food waste methodologies as referred to in the CPC report.	September 2025	Executive Director of Operations
10. Planning service	Opportunity for added scrutiny while the planning service faces staffing capacity challenges and the implementation of a new case management system.	September 2025	Executive Director of Operations

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

11. Respond and complete any actions directed by the External Auditor in relation to 2023-24 accounts	Per Audit Committee recommendations.	September 2025	Chief Finance Officer
11. Devolution and Local Government Reorganisation (LGR)	Ongoing collaboration with external partners through appropriate governance arrangements and controls.	Ongoing	Executive Director of Corporate Services & Monitoring Officer

The AGS Action Plan will be reported to Strategy Board, Cabinet and Audit Committee on a quarterly basis, as part of performance reporting.

A final review will be included the next Annual Governance Statement for approval by the Audit Committee.

Looking back

How we have improved our governance arrangements in 2023-24

In the previous year's statement, as part of its continuing efforts to improve governance arrangements, the following issues were identified by the Council for improvement in 2024-25:

1. Shaping East Hampshire's Future (SHEF)/Transformation Agenda (including IT changes)

The Council is on an ambitious transformation programme journey which reviews all areas of the Council. The objectives are to deliver continual service improvements to residents and more efficient, effective and economic services. This ongoing programme is progressing well and has delivered on the targeted savings in 2023/24. For 2024/25, these will continue to be closely monitored. All Directors are leading in their areas and summaries of progress are reported to Members quarterly, within the quarterly reporting cycle.

Key improvements to IT services have been implemented to include improved IT service delivery by transfer of the existing contracts with Capita, to an in-house provision. For 2024-25, the new IT service will be monitored as it embeds within EHDC. A priority during 2024-25 will be the next steps transfer of EHDC's IT financial systems.

Lead Officers: Chief Executive, Senior Leadership Team/Strategy Board, in particular, the CFO (s.151) and the Director of Change & Performance.

Actions:

- Completion of Directorate Transformation Plans and commencement of Directorate Transformation projects.
- Embedding new IT systems.
- Complete replacement of 'Integra' and existing Payroll IT system, in line with the approved IT roadmap.
- Continue to identify and assess strategic risk and operational RAG risk via the Corporate Risk Register.

Status: Completed

2. Investment Property Portfolio – Risk Management

The Council owns an investment commercial property portfolio which delivers a good income stream and has allowed additional service provision, whilst keeping council tax low. These properties were bought primarily for financial return. A lot of work is undertaken in the area to review the investment portfolio and to plan for the future. This has become even more important given the current economic climate. A comprehensive review of the portfolio was undertaken and updated report brought to Members in 2023/24, showing current position and future plans for our investment property portfolio.

As part of the ongoing and future reviews of the property portfolio the Council will continue to identify risk and risk mitigation in relation to individual properties within the investment portfolio. This will also require the assistance and advice of sector specific Consultants and Professional Bodies.

Lead Officers: the Director of Regeneration & Prosperity, CFO (s.151 Officer) and the Monitoring Officer.

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

Actions:

- Regular review of individual properties via professional consultants.
- Quarterly updates to Cabinet and Overview and Scrutiny.
- Continuation of assessment of market conditions relative to plans strategies.
- Continue to identify and assess strategic risk and operational RAG risk via the Corporate Risk Register.

Status: Completed

Forward look on governance

The Council continues to deliver on its Council Strategy 2024-28 and has in place a good system of internal control to ensure those priorities are delivered legally, effectively, transparently and accountably.

Our system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives and seeks to provide reasonable rather than absolute assurance of effectiveness.

The intervening challenge of devolution and local government reorganisation is a good test of our arrangements, and we are already working internally and across partner councils to ensure that strong governance arrangements are in place to meet this new priority.

Whether arrangements are adequately aligned to support the authority's delivery of planned outcomes and meet its responsibilities for value for money/best value.

In our opinion, the Council's described governance arrangements are adequately aligned to support the delivery of its planned outcomes. This was confirmed in the CPC report and no major governance issues were identified. The LGA team found a well-run and very competent Council that is strong and sustainable.

Statements to the Accounts

Annual Accounts – Key Financial Statements

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibility

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At East Hampshire District Council this officer is the Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Chief Financial Officer Responsibility

The Chief Finance Officer is responsible for the preparation of 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 the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records that were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Financial Officer Certificate

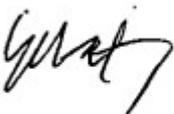
I certify that I have fulfilled my responsibilities noted above and that the accounts set out as above to give a true and fair view of the financial position of the Council as at 31st March 2025 and its income and expenditure for the year ended 31st March 2025.



Matthew Tiller
Chief Finance Officer

Approval of Accounts

The accounts were presented to the Audit Committee on the 8th July 2025 and approved by the Chair of the Committee on the 27th February 2026.



Cllr Hatter

Annual Accounts – Statement to the Accounts

Independent Auditors' Report to the Members of East Hampshire District Council

Disclaimer of Opinion

We were engaged to audit the financial statements of East Hampshire District Council ('the Council') the year ended 31 March 2025. The financial statements comprise the:

- Comprehensive Income and Expenditure Account,
- Movement in Reserves Statement
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 52 including material accounting policy information and including the Expenditure and Funding Analysis.
- Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Due to delays in receiving associated audit evidence and the lack of capacity at the Council to support the audit in advance of the backstop date, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025

This is further described in our Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources below.

In addition, the Council has not prepared its financial statements in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 adoption of IFRS16 Leases, or provided evidence of the process it has been through to assess the impact of this accounting standard. Therefore, the financial statements do not include any potential adjustments as a result of the implementation of IFRS 16. The Council has continued to apply the old leasing standard IAS 17.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)

Annual Accounts – Key Financial Statements

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in May 2024, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2025.

Significant weakness in arrangements

The nature of the weaknesses identified

The Council has insufficient resources to support the completion of our audit work by the 27 February 2026 backstop date.

In addition, the council has not prepared its accounts in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

The evidence of which our view is based:

The quality of the initial draft of the financial statements submitted for our audit contained significant errors and omissions.

While making progress and able to provide a listing of capital grants and contributions, the Council was unable to respond to requests for information on a timely basis and documentation provided did not support the financial statement balances and disclosures.

We have seen a deterioration in the ability of the Council to reconcile the council tax and business rates balances to those reported in the financial statements.

Additionally the council:

- has not provided us with any support in relation to its implementation of IFRS16, therefore we are unable to determine whether all relevant leases and contracts have been considered,
- was unable to support testing needed before the backstop date in areas of the accounts including Debtors, Creditors and the Comprehensive Income and Expenditure statement to provide sufficient and appropriate assurance these were free from material misstatement, and
- was unable to explain inconsistencies in the Cashflow Statement and supporting disclosures resulting from changes made to the draft financial statements.

The impact on East Hampshire District Council:

Failure to improve the Council's processes to report financial information on a timely basis will impact its ability to meet statutory financial reporting deadlines, and rebuild assurance towards an unqualified audit opinion.

The action the Council needs to take to address the weaknesses:

Annual Accounts – Statement to the Accounts

The Council needs to assess the capacity and capability of the finance department, and engage sufficient resources to enable it to publish reliable financial statements for the year ended 31 March 2026, by the publication date of 30 June 2026. The financial statements should be prepared on the basis of the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

The issues above are evidence of weakness in proper arrangements for Governance, including for reliable and timely financial reporting that supports the delivery of strategic priorities.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 26, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts 2024/2025, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Hampshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Hampshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether East Hampshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Annual Accounts – Key Financial Statements

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of East Hampshire District Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of East Hampshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter.
Ernst & Young LLP

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
27 February 2026

KEY FINANCIAL STATEMENTS

Annual Accounts – Key Financial Statements

Comprehensive Income & Expenditure Statement

This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service, and depreciation charges. It gives the cost of the main services provided by the Council. This statement is shown in a statutory format. Details about how this ties back to the Council's regular budget monitoring reporting is shown in the Expenditure and Funding Analysis Statement.

	2024/2025			2023/2024		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
Community						
Case Management	1,384	(326)	1,058	1,514	(318)	1,196
Community	1,712	(289)	1,423	2,583	(974)	1,609
District Team	1,177	(2,287)	(1,110)	1,188	(1,926)	(738)
Environmental Health	948	(94)	854	956	(132)	824
Licensing	313	(170)	143	283	(157)	126
Housing	907	(876)	31	1,084	(947)	137
SEHF Savings	0	0	0	0	0	0
Operations						
Planning	14,163	(1,626)	12,537	199	(1,461)	(1,262)
Building Control	583	(488)	95	543	(277)	266
Property & Facilities	2,621	(476)	2,145	4,284	(200)	4,084
Climate and Environment	205	(56)	149	210	(25)	185
Regeneration and Economy	1,002	(384)	618	1,245	(460)	785
Leisure	1,142	(1,620)	(478)	1,111	(1,197)	(86)
Waste Services	7,308	(1,848)	5,460	6,976	(1,823)	5,153
Commercial Services	305	(279)	26	1,518	(1,339)	179
SEHF Savings	0	0	0	0	0	0
Corporate Services						
Communications, Policy, Strategy & Insight	460	0	460	601	0	601
Project and Programme Management	381	0	381	288	0	288
Organisational Development	588	(15)	573	512	(70)	442
IT/Digital	2,741	0	2,741	4,018	0	4,018
GIS / Land Charges	443	(441)	2	477	(410)	67
Legal Services	940	(55)	885	883	(62)	821
Democratic Services	759	(1)	758	697	0	697
Elections	788	(597)	191	471	(59)	412
Strategic Board	1,314	(1)	1,313	988	0	988
SEHF Savings	0	0	0	0	0	0
Finance						
Finance	844	(8)	836	829	(8)	821
Corporate Finance	1,689	(21)	1,668	1,285	(1,682)	(397)
Revenue & Benefits	16,759	(16,157)	602	16,173	(15,473)	700
Other Operating I&E	(167)	0	(167)	(460)	(112)	(572)
Net Cost of Service	61,309	(28,115)	33,194	50,456	(29,112)	21,344
Other Operating Expenditure		Note 5	5,398			4,953
Financing and Investment Income and Expenditure		Note 6	1,087			6,983
Taxation and non-specific grant income		Note 7	(20,699)			(20,193)
(Surplus)/Deficit on Provision of Services			18,980			13,087
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(2,943)			(3,981)
Actuarial (gains)/losses on pension assets / liabilities			(4,509)			(4,674)
Other Comprehensive Income and Expenditure			(7,452)			(8,655)
Total Comprehensive Income and Expenditure			11,528			4,432

2023/24 has been restated into the current Council structure which changed in November 2024

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Movement in Reserves Statement

The Council maintains a number of reserves that are recorded on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000 Note 29	Unusable Reserves £000 Note 31	Total Authority Reserves £000
Balance at 1 April 2023	(22,225)	(5,027)	(18,648)	(45,900)	(20,457)	(66,357)
Movement in reserves during 2023/2024						
Total Comprehensive Income and Expenditure	13,087			13,087	(8,655)	4,432
Adjustments between accounting basis & funding basis under regulations (note 13)	(6,773)	211	(1,051)	(7,613)	7,613	0
Net (Increase)/Decrease before Transfers Adjustment	6,314	211	(1,051)	5,474	(1,042)	4,432
Balance at 31 March 2024 carried forward	(15,911)	(4,816)	(19,699)	(40,426)	(21,499)	(61,925)
Movement in reserves during 2024/2025						
Total Comprehensive Income and Expenditure	18,980	0	0	18,980	(7,452)	11,528
Adjustments between accounting basis & funding basis under regulations (note 13)	(16,983)	(594)	10,174	(7,403)	7,403	0
Adjustment re opening roundings						
Net (Increase)/Decrease before Transfers	1,997	(594)	10,174	11,577	(49)	11,528
Balance at 31 March 2025 carried forward	(13,914)	(5,410)	(9,525)	(28,849)	(21,548)	(50,397)

Annual Accounts – Key Financial Statements

Balance Sheet

This statement summarises the Council's assets and liabilities as at 31st March for the years 2025 and 2024.

	NOTES	31 March 2025		31 March 2024	
		£000	£000	£000	£000
Property, Plant and Equipment	14	80,536		79,038	
Investment Properties	20	95,960		102,271	
Intangible Assets	21	36		208	
Long Term Debtors		78		743	
Long Term Assets			176,610		182,260
Current Assets					
Short Term Debtors	22	17,779		4,744	
Cash and Cash Equivalents	23	7,287		10,786	
Short Term Investments		15,000		20,000	
Assets held for Sale	14a	1,037		1,496	
Current Assets			41,103		37,026
Current Liabilities					
Cash and Cash Equivalents	23	0		(650)	
Short Term Creditors	24	(17,881)		(11,963)	
Short Term Borrowing	28	(2,658)		(3,092)	
Provisions	25	(492)		(283)	
Current Liabilities			(21,031)		(15,988)
Long Term Liabilities					
Capital Grants receipts in advance	36	(24,587)		(13,417)	
Long Term Borrowing	28	(114,444)		(116,440)	
Other Long Term Liabilities		(407)		(330)	
Finance Lease	27	(5,033)		(5,046)	
Pension Fund Liability	41	(1,814)		(5,968)	
Provisions		0		(173)	
Long Term Liabilities			(146,285)		(141,374)
Net Assets			50,397		61,925
Financed by					
Usable Reserves	29		(28,849)		(40,426)
Unusable Reserves	31		(21,548)		(21,499)
Total Reserves			(50,397)		(61,925)



Matthew Tiller
Chief Finance Officer
Date 27th February 2026

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Cash Flow Statement

This consolidated statement summarises the movement of cash between the Council and third parties for both capital and revenue purposes.

	NOTES	2024/2025 £000	2023/2024 £000
Net (surplus) or deficit on the provision of services		18,980	13,087
Adjustments to net surplus or deficit on the provision of services for non-cash movements	41	(13,515)	(3,054)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	40	1,225	1,231
Net cash flows from Operating Activities		6,690	11,264
Investing Activities	38	(6,404)	(10,934)
Borrowing Activities	39	2,563	1,763
Net decrease or (increase) in cash and cash equivalents		2,849	2,093
Cash and cash equivalents at the beginning of the reporting period		10,136	12,229
Cash and cash equivalents at the end of the reporting period		7,287	10,136

Annual Accounts – Key Financial Statements

Expenditure & Funding Analysis Statement

This analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by the Council in comparison with the economic resources consumed or earned by the Council in accordance with generally accepted accounting practice. It shows how the expenditure is allocated for decision making purposes between the Council's services. Income and expenditure is shown more fully in the Comprehensive Income & Expenditure statement.

	2024/2025			2023/2024		
	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis (see note 12) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	Net Expenditure Chargeable to the General Fund Balances £000	Adjustments between Funding and Accounting Basis (see note 12) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
Community						
Case Management	1,053	5	1,058	1,164	32	1,196
Community	1,419	4	1,423	968	641	1,609
District Team	(1,154)	44	(1,110)	(807)	69	(738)
Environmental Health	838	16	854	815	9	824
Licensing	143	0	143	126	0	126
Housing	29	2	31	138	(1)	137
SEHF Savings	0	0	0	0	0	0
Operations						
Planning	1,882	10,655	12,537	2,454	(3,716)	(1,262)
Building Control	87	8	95	255	11	266
Property & Facilities	1,368	777	2,145	1,419	2,665	4,084
Climate and Environment	148	1	149	100	85	185
Regeneration and Economy	619	(1)	618	640	145	785
Leisure	(1,368)	890	(478)	(1,015)	929	(86)
Waste Services	5,438	22	5,460	5,124	29	5,153
Commercial Services	26	0	26	179	0	179
SEHF Savings	0	0	0	0	0	0
Corporate Services						
Communications, Policy, Strategy & Insight	459	1	460	555	46	601
Project and Programme Management	382	(1)	381	294	(6)	288
Organisational Development	569	4	573	418	24	442
IT/Digital	1,929	812	2,741	1,784	2,234	4,018
GIS / Land Charges	(4)	6	2	66	1	67
Legal Services	882	3	885	820	1	821
Democratic Services	754	4	758	614	83	697
Elections	190	1	191	240	172	412
Strategic Board	1,296	17	1,313	988	0	988
SEHF Savings	0	0	0	0	0	0
Finance						
Finance	828	8	836	813	8	821
Corporate Finance	1,667	1	1,668	(807)	410	(397)
Revenue & Benefits	597	5	602	693	7	700
Other Operating I&E	62	0	62			
Net Cost of Service General Fund	20,139	13,284	33,423	18,038	3,878	21,916
Other Income & Expenditure	1,601	(1,702)	(101)	(6,889)	6,215	(674)
Movement in Earmark Reserves	(337)	209	(128)	(179)	179	0
Net Cost of Service	21,403	11,791	33,194	10,970	10,272	21,242
Other Operating Expenditure	5,218	180	5,398	4,253	700	4,953
Financing and Investment Income and Expenditure	(5,632)	6,719	1,087	5,270	1,815	7,085
Taxation and non-specific grant income	(20,672)	(27)	(20,699)	(20,186)	(7)	(20,193)
(Surplus)/ Deficit	317	18,663	18,980	307	12,780	13,087
Balance Summary						
Opening General Fund Balance at 1 April	(3,802)			(4,109)		
Adjustment						
Add (Surplus)/ Deficit on General Fund Balances in Year	317			307		
Closing General Fund Balance at 31 March	(3,485)			(3,802)		
Analysed between type of balance	General Fund	Earmarked Reserves		Total Balances		
Opening Balance at 1 April 2023	(4,109)	(18,116)		(22,225)		
Add (Surplus)/ Deficit in year 2023/2024	307	6,006		6,313		
Transfer between reserves				-		
Closing Balance at 31 March 2024	(3,802)	(12,110)		(15,912)		
Adjustment				-		
Add (Surplus)/Deficit in year 2024/2025	317	1,680		1,997		
Closing balances at 31 March 2025	(3,485)	(10,430)		(13,915)		

Note – this is not a primary statement but presented here for transparency. 2023/24 has been restated into the current Council Structure.

The General Fund and earmarked reserves above add together to equal the General Fund balance in the Movement in Reserves Statement

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Notes to the Core Financial Statements

Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and the accounting policies are set out in the Notes to the Accounts Annex 1. For ease of reference, the notes to the core financial statement are grouped in functional areas.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 1 Revenue Outturn

The overall overspend against the 2024/25 budget was £0.317 million which was a drawdown from General Fund reserves. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income and Expenditure Statement and subsequent notes.

Note 2 Expenditure and Income Analysed by Nature

	2024/2025 £000	2023/2024 £000
Expenditure		
Employee expenses	17,332	17,233
Other Services expenses	44,829	42,117
Depreciation, amortisation and impairment	1,668	1,759
Interest payments	2,755	2,818
Precept and levies	5,218	4,953
Movements in the market value of Investment Properties	6,431	12,523
Loss on disposal of assets	180	0
Total Expenditure	78,413	81,403
Income		
Fees, charges and other service income	(19,303)	(19,953)
Interest and investment income	(1,530)	(1,596)
Movements in the market value of Investment Properties	0	0
Income from Council Tax and Business Rates	(20,151)	(21,711)
Grants and contributions	(18,449)	(24,867)
Gain on disposal of assets	0	(189)
Total Income	(59,433)	(68,316)
(Surplus)/Deficit on the Provision of Services	18,980	13,087

Note 3 Income from Revenue Contracts

IFRS 15 (Revenue from Contracts with Customers) requires disclosure of income arising from contracts with service recipients. Most of the Council's income streams are outside of the scope of IFRS 15 as the majority of income that the Council receives/collects is government grants, council tax, retained business rates and pay as you go charges (e.g. car parking charges). The Council has reviewed the value of income covered by IFRS 15 and considers this to be an immaterial amount therefore no further disclosures are required.

Note 4 Exceptional Items

There are no exceptional items in the accounts for either 2024/25 or 2023/24.

EXPLANATORY NOTES

Note 5 Other Operating Expenditure

	2024/2025	2023/2024
	£000	£000
Parish council precepts	5,218	4,953
(Gains)/losses on the disposal of non-current assets	180	0
Total	5,398	4,953

Note 6 Financing and Investment Income and Expenditure

	2024/2025	2023/2024
	£000	£000
Income & Expenditure in relation to investment properties	(6,858)	(7,150)
Interest payable and similar charges	2,755	2,818
Interest and investment income	(1,530)	(1,587)
Pension Interest Costs and expected return on pension assets	288	379
Movements in the market value of Investment Properties	6,431	12,523
Total	1,087	6,983

Note 7 Taxation and Non-specific Grant Income

The Council raises the following income in respect of Council Tax, Non Domestic Rates (NDR) and General Government Grants which are not attributable to specific services.

	2024/2025	2023/2024
	£000	£000
Council Tax Transfer	(12,863)	(12,452)
Collection Fund Deficit/ (Surplus)	(26)	0
Adjustment for statutory requirements		
Council Tax Income	(12,889)	(12,452)
General Government Grants	(3,031)	(2,841)
General Government Grants (S31 business rates)	(13,255)	(13,125)
Business Rates Retention Scheme	8,476	8,225
Total	(20,699)	(20,193)

Note 8 Members' Allowances

The Council paid the following amounts to Members of the Council

	2024/2025	2023/2024
	£000	£000
Allowances	458	419
Expenses	3	7
Total	461	426

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 9 Officers' Remuneration

The Council is required to disclose the number of employees who received taxable remuneration from the Council in excess of £50,000 for the year. This table is based on full remuneration and not just salary.

Remuneration Band £	2024/2025	2023/2024
	No. Employees	No. Employees
50,000-54,999	12	13
55,000-59,999	12	10
60,000-64,999	19	15
65,000-69,999	7	1
70,000-74,999	5	4
75,000-79,999	4	3
80,000-84,999	2	4
85,000-89,999	2	3
90,000-94,999	1	0
95,000-99,999	0	1
100,000-104,999	3	1
105,000-109,999	1	0
110,000-114,999	0	1
115,000-119,999	0	0
120,000-124,999	0	0
125,000-129,999	1	0
130,000-134,999	0	0
135,000-139,999	1	0
140,000-144,999	0	1
145,000-149,999	1	0
150,000-154,999	1	0
155,000-159,999	1	0
TOTAL	73	57

Notes:

Officers' remuneration includes compensation for loss of office (redundancy).

EXPLANATORY NOTES

2024/2025 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year (Included in Officer's Remuneration Bandings)

2024/2025 Post Holder	Salary (including fees and allowances)	Additional Payments	Total Remuneration excluding pension contributions 2024/2025	Employers Pension Contributions	Total Remuneration including pension contributions 2024/2025
	£		£		£
Chief Executive	146,145	0	146,145	25,722	171,867
Executive Director for Corporate Services & Monitoring Officer (from Sept 2024)	63,405	0	63,405	11,159	74,565
Executive Director for Communities (from Nov 2024)	53,307	0	53,307	9,382	62,689
Executive Director for Operations (from Nov 2024)	46,017	0	46,017	8,099	54,116
Chief Finance Officer	100,243	0	100,243	16,078	116,321
Chief Operating Officer* (until end Oct 2024)	61,731	5,000	66,731	26,545	93,276
Monitoring Officer (until end Sept 2024)	77,945	0	77,945	0	77,945
Director of Change and Performance* (until end Oct 2024)	51,611	105,660	157,271	8,441	165,711
Director of Regulation and Enforcement* (until end Oct 2024)	54,974	99,848	154,823	9,379	164,201
	655,378	210,508	865,886	114,804	980,690

*the council restructured its Senior Leadership Team which took effect from 1st November 2024, this restructure was approved by Full Council in September 2024. The above note reflects these changes. The Monitoring Officer role was covered by an agency member of staff until September 2024. The Director of Corporate Governance was vacant until the restructure.

2023/2024 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year (Included in Officer's Remuneration Bandings)

2023/2024 Post Holder	Salary (including fees and allowances)	Additional Payments	Total Remuneration excluding pension contributions 2023/2024	Employers Pension Contributions	Total Remuneration including pension contributions 2023/2024
	£		£		£
Chief Executive	140,187	0	140,187	24,673	164,860
Chief Operating Officer	112,662	0	112,662	19,828	132,490
Director of Corporate Governance*	95,487	0	95,487	11,501	106,988
Director of Change and Performance	78,863	0	78,863	13,880	92,743
Chief Finance Officer	82,492	0	82,492	14,170	96,662
	509,691	0	509,691	84,052	593,743

*Role covered by a temporary contractor from December 2023

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Exit Packages

Exit packages include all benefits provided in relation to the termination of employment. These include redundancy payments, pay in lieu of notice and pension strain. This reflects approved SEHF changes. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2024/2025	2023/2024	2024/2025	2023/2024	2024/2025	2023/2024	2024/2025 £000s	2023/2024 £000s
£								
0-20,000	9	1	2		11	1	87	3
20,001-40,000	6				6		190	
40,001-60,000	5	1	1		6	1	309	52
60,001-80,000	1				1		78	
80,001-100,000	3				3		286	
100,001-150,000	1				1		106	
Total	25	2	3	0	28	2	1,056	55

Note 10 External Audit Fees

The Council incurred the following fees in respect of external audit and statutory inspection in accordance with the Local Audit & Accountability Act 2014.

	2024/2025 £000	2023/2024 £000
External audit services	166	232
Other services (Housing Benefit)	42	10
Total	208	242

Note 11 Related Parties

The Council is required to disclose material transactions with related parties. Related parties are persons or entities that are related to the Council. A related party transaction is a transfer of resources or obligations between a reporting entity (the Council) and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits)

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2024/25 is shown in note 8. If a Member declares an interest in a transaction which involves the Council, these transactions are recorded in the Register of Members' Interests however non have been reported or identified.

Officers – under the requirements of the Local Government Act 2000, the Council has developed a Code of Conduct for officers and established a Register of Officers interests. This Register of interests has been reviewed and 2 Senior Officers were the Directors for East Hampshire Norse Ltd overseeing £7.0 million but were not recompensed for their services from the company.

EXPLANATORY NOTES

Note 12 Note to the Funding Analysis

Adjustments to General Fund to add Expenditure or Income not Chargeable to taxations or rents and remove items which are only chargeable under statute

	2023/2024			
	Adjustments for Net change for the			Total
	Capital	Pension	Other	Adjustments
	Purposes	Adjustments	Differences	
	(Note 12a)	(Note 12b)	(Note 12c)	
	£000	£000	£000	£000
Community				
Case Management	22	7	2	32
Community	0	5	637	641
District Team	67	3	(2)	69
Environmental Health	1	5	3	9
Licensing	0	2	(2)	0
Housing	0	4	(6)	(1)
SEHF Savings				0
Operations				0
Planning	(3,875)	18	141	(3,716)
Building Control	6	3	3	11
Property & Facilities	703	6	1,956	2,665
Climate and Environment	0	1	84	85
Regeneration and Economy	141	5	(1)	145
Leisure	845	1	84	929
Waste Services	20	1	7	29
Commercial Services	0	1	(1)	0
SEHF Savings				0
Corporate Services				0
Communications, Policy, Strategy & Insight	39	3	4	46
Project and Programme Management	0	3	(9)	(6)
Organisational Development	0	2	22	24
IT/Digital	168	2	2,064	2,234
GIS / Land Charges	0	3	(2)	1
Legal Services	0	3	(2)	1
Democratic Services	0	1	81	83
Elections	0	1	171	172
Strategic Board	0	5	1	0
SEHF Savings				0
Finance				0
Finance	0	5	3	8
Corporate Finance	0	(1)	407	410
Revenue & Benefits	2	7	(2)	7
Other Operating I&E	0	0	6,394	6,394
Net Cost of Service	(1,861)	96	12,037	10,272
Other operating Expenditure			700	700
Financing and Investment Income and Expenditure			1,815	1,815
Taxation and non-specific grant income			(7)	(7)
(Surplus)/ Deficit	(1,861)	96	14,545	12,780

2023/24 has been restated into the current Council structure which changed in November 2024

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

	2024/2025			
	Adjustments for Net change for the			
	Capital	Pension	Other	Total
	Purposes	Adjustments	Differences	Adjustments
	(Note 12a)	(Note 12b)	(Note 12c)	
	£000	£000	£000	£000
Community				
Case Management	3	5	(3)	5
Community	0	3	1	4
District Team	45	2	(3)	44
Environmental Health	1	4	11	16
Licensing	0	1	(1)	0
Housing	0	2	0	2
SEHF Savings	0	0	0	0
Operations				
Planning	10,627	13	15	10,655
Building Control	6	2	0	8
Property & Facilities	(45)	4	818	777
Climate and Environment	0	1	0	1
Regeneration and Economy	0	3	(4)	(1)
Leisure	891	1	(2)	890
Waste Services	20	1	1	22
Commercial Services	0	0	0	0
SEHF Savings		0	0	0
Corporate Services				
Communications, Policy, Strategy & Insight	0	2	(1)	1
Project and Programme Management	0	1	(2)	(1)
Organisational Development	0	2	2	4
IT/Digital	813	2	(3)	812
GIS / Land Charges	0	1	5	6
Legal Services	0	2	1	3
Democratic Services	0	1	3	4
Elections	0	1	0	1
Strategic Board	0	4	13	17
SEHF Savings	0	0	0	0
Finance				
Finance	0	4	4	8
Corporate Finance	0	0	1	1
Revenue & Benefits	0	5	0	5
Other Operating I&E	0	0	(1,493)	(1,493)
Net Cost of Service	12,361	67	(637)	11,791
Other operating Expenditure	247		(67)	180
Financing and Investment Income and Expenditure	6,431	288	0	6,719
Taxation and non-specific grant income			(27)	(27)
(Surplus)/ Deficit	19,039	355	(731)	18,663

EXPLANATORY NOTES

Note 12a Adjustments for Capital Funding and Expenditure Purposes

These adjustments are made to the General Fund Balances to meet the requirements of generally accepted accounting practices. For services, this column includes adjustments for depreciation, impairment and revenue funded by capital. In other operating expenditure this adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Note 12b Net changes for the removal of pension contributions and the addition of pension (IAS19) related expenditure and income

Net changes for the removal of pension contribution and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.

Note 12c Other Differences

Other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include adjustments for accumulated absences, PFI service charges and items reported to members but not included in statutory net cost of service (e.g. general government grants, movement on reserves and interest).

Note 13 Adjustments between accounting basis and funding basis under regulations

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Reserves 2023/2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation of non-current assets	(1,543)			1,543
Charges for impairment/ revaluations of plant, property and equipment	(155)			155
Movements in the market value of Investment Properties	(12,522)			12,522
Amortisation of intangible assets	(61)			61
Drawdown of earmarked reserves				0
Revenue expenditure funded from capital under statute	1,257			(1,257)
REFCUS income	(1,257)			1,257
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	189	(260)		71
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				0
Statutory provision for the financing of capital investment	2,452			(2,452)
Capital expenditure charged against the General Fund balances				0
Adjustments primarily involving the Capital Grants Unapplied Account:				0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	5,256			(5,256)
Application of grants to capital financing transferred to the Capital Adjustment Account	1,051		(1,051)	0
Adjustments primarily involving the Capital Receipts Reserve:				0
Use of the Capital Receipts Reserve to finance new capital expenditure	(255)	471		(216)
Adjustments primarily involving the Deferred Capital Receipts Reserve				0
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement				0
Adjustments primarily involving the Pensions Reserve				0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	(474)			474
Adjustments primarily involving the Collection Fund Adjustment Account:				0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(25)			25
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(685)			685
Adjustment primarily involving the Accumulated Absences Account				0
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			1
Total Adjustments	(6,773)	211	(1,051)	7,613

EXPLANATORY NOTES

Reserves 2024/2025	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation of non-current assets	(1,659)			1,659
Charges for impairment/ revaluations of plant, property and equipment	0			0
Movements in the market value of Investment Properties	(6,431)			6,431
Amortisation of intangible assets	(9)			9
Use of the Capital Grants to finance capital expenditure	298			(298)
Revenue expenditure funded from capital under statute	2,206			(2,206)
REFCUS income	(2,206)			2,206
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(705)			705
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,405			(1,405)
Capital expenditure charged against the General Fund balances				0
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement				0
Application of grants to capital financing transferred to the Capital Adjustment Account	(10,175)		10,174	1
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(594)		594
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	525			(525)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 34)	(355)			355
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2			(2)
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	153			(153)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(32)			32
Total Adjustments	(16,983)	(594)	10,174	7,403

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

BALANCE SHEET NOTES RELATING TO CAPITAL

Note 14 Property, Plant and Equipment (PPE)

	Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
Opening Balance 1 April 2023	74,124	755	1,293	265	0	0	76,437
Opening Balance adjustments							0
Additions	3,041						3,041
Derecognition - Disposals							0
Impairment losses	(155)						(155)
Revaluation adjustment	1,995						1,995
Category Adjustments	(1,909)					950	(959)
							0
Restated Book value at 31 March 2024	77,096	755	1,293	265	0	950	80,359
Depreciation and Impairments							
Opening Balance 1 April 2023	(1,058)	(602)	0	(27)	0	0	(1,687)
Opening Balance adjustments	(1,489)	(50)		(3)			(1,543)
Depreciation							0
Accumulated depreciation written back on derecognition of assets							0
Revaluation losses/Impairment recognised in the surplus/deficit on provision							0
Revaluation losses/Impairment recognised in the revaluation reserve							0
	44					(28)	16
Category Adjustments & other movements	1,893						1,893
Revaluation adjustment							0
Restated Depreciation At 31 March 2024	(610)	(652)	0	(30)	0	(28)	(1,321)
Restated Net Book Value at 31 March 2024	76,486	103	1,293	235	0	922	79,038

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
Opening Balance 1 April 2024	77,096	755	1,293	265	0	950	80,359
Opening Balance adjustments							0
Additions	298						298
Derecognition - Disposals	(390)	(77)					(467)
Impairment losses							0
Revaluation adjustment	1,545					292	1,837
Category Adjustments	62					(62)	0
At 31 March 2025	78,611	678	1,293	265	0	1,180	82,027
Depreciation and Impairments							
Opening Balance 1 April 2024	(610)	(652)	0	(30)	0	(28)	(1,321)
Depreciation	(1,633)	(21)		(3)			(1,657)
Accumulated depreciation written back on derecognition of assets							0
Revaluation losses/Impairment recognised in the surplus/deficit on provision							0
Revaluation losses/Impairment recognised in the revaluation reserve	1,104					1	1,105
Category Adjustments & other movements	280	77				26	383
Revaluation adjustment							0
At 31 March 2025	(859)	(596)	0	(33)	0	(1)	(1,490)
Net Book Value at 31 March 2025	77,752	82	1,293	232	0	1,179	80,537

EXPLANATORY NOTES

Note 14a Assets held for Sale

Assets are reclassified from property, plant and equipment as assets held for sale where a sale is highly probable, the asset is being actively marketed, the sale is likely to be completed within one year from classification and the decision to sell is unlikely to be withdrawn.

Valuation of assets in this class are the lower of carrying value prior to reclassification and net proceeds. The CIPFA Code of Practice requires impairments to be charged to the comprehensive income and expenditure statement even if there is a retained balance on the revaluation reserve relating to the asset. Revaluation reserve balances are written-out upon disposal of the asset.

All of the assets held for sale meet the criteria for classification as current assets in 2024/25

	31 March 2025	31 March 2024
Balance at 1st April	1,496	0
Assets newly qualified as held for sale; PPE	0	1,037
Assets newly qualified as held for sale: Investment Portfolio	0	459
Assets declassified as held for sale	0	0
Assets sold	(459)	0
Balance at 31st March	1,037	1,496

Note 15 Information about Depreciation Methodologies

All depreciation applied is on a straight line basis using the following standard useful lives, unless the useful economic life is reviewed downwards by the external valuer;

- Other Land and Buildings, Garages and Buildings are generally depreciated over a useful life of 50 years with the remaining useful life given by the valuers. In some cases, the useful life of the asset is less than this and is applied accordingly. Land is not depreciated.
- Vehicles, Plant etc. These are depreciated over their expected useful life of the asset.
- Community Assets, Assets under Construction, Non-operational Assets and Infrastructure. These are not depreciated.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 16 Capital Expenditure and Capital Financing

Below is the financing of the year's capital expenditure on fixed assets and revenue expenditure funded from capital under statute. This shows the Council's overall capital financing requirement for General Fund – the underlying amount of borrowing the Council has incurred on its capital investment.

	31 March 2025		31 March 2024
	£000	£000	£000
Opening Capital Financing Requirement (see below)		156,541	161,424
Prior year adjustment			
Capital Investment			
Plant Property & equipment Assets	418		3,041
Investment Properties			
Intangible assets			
Revenue Expenditure Funded from Capital under Statute	2,206		1,257
		<u>2,624</u>	<u>4,298</u>
Sources of Finance			
Government Grants	0		(2,824)
Grants & Contributions toward REFCUS	(2,505)		(1,257)
Capital Receipts	0		(2,431)
Sums set aside from revenue & reserves	(119)		(217)
Repayment of capital long term assets			
Minimum Revenue Provision	(1,404)		(2,452)
		<u>(4,028)</u>	<u>(9,181)</u>
Closing Capital Financing Requirement		<u>155,137</u>	<u>156,541</u>
Explanation of Movements in the Year			
Increase / (decrease) in underlying need to borrow		<u>(1,404)</u>	<u>(4,883)</u>
Increase / (decrease) in Capital Financing Requirement		<u>(1,404)</u>	<u>(4,883)</u>

Note 17 Fixed Asset Valuation

Assets classified as Land & Buildings are revalued as part of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by an external valuer, Vail Williams, Chartered Surveyors and Eddisons.

The basis for valuation is set out in the statement of accounting policies.

The assets revalued during 2024/25 include car parks and investment properties. All other assets will be revalued over the coming years as part of the rolling programme but have been revalued within the maximum 5 year rolling programme as dictated in the code of practice. The Council is not aware of any material change in the value of the remaining assets that were not revalued in 2024/25.

The following table shows the split of the certified valuations for Property plant and equipment across the financial years.

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost		677	1,292	265			2,234
Valued at current value in:							
2024/2025	49,505					1,180	50,685
2023/2024	11,601						11,601
2022/2023	9,626						9,626
2021/2022	5,794						5,794
2020/2021	1,833						1,833
2019/2020	257						257
Gross Value at 31 March 2025	78,615	677	1,292	265	0	1,180	82,029

EXPLANATORY NOTES

Note 18 Revaluation and Impairment Losses

As part of the valuation process, reductions in the value of our assets (where there have previously not been upward valuations) are charged as downwards revaluation losses charged to Property, Plant and Equipment. These are detailed by asset class in note 14.

As it is good practice to revalue properties when they are complete to ensure the carrying values are appropriate, the external valuers provided valuations for the new/refurbished buildings as at 31st March 2025.

The total impairment costs are charged to the Comprehensive Income & Expenditure Statement but do not reflect any loss to the Council as these downward valuation charges are reversed out (as statutorily required) so that they have no impact on the General Fund balance.

Note 19 Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and/ culture. Typical examples of Heritage assets would include works of art, statues, archaeological sites, military or scientific equipment. The Council does not have extensive museum collections as most of the museums in the county are owned by other bodies. Therefore the Council does not have a significant collection of art or other antiquities that need to be disclosed on the Balance Sheet with a value.

Note 20 Investment Property

Investment Properties are assets that are held solely to earn rentals or for capital appreciation. The following items of income and expense have been accounted for in relation to running the investment property estate. These items are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2024/2025 £000	2023/2024 £000
Rental income from investment property	(8,959)	(9,013)
Direct operating expenses arising from investment property	2,101	1,863
Net (gain)/loss from fair value adjustments	6,311	12,522
Net (Gain)/ Loss	<u>(547)</u>	<u>5,372</u>

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

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

	2024/2025 £000	2023/2024 £000
Balance at start of the year	102,271	115,252
Additions: Subsequent expenditure	120	0
Disposals		
Gains from fair value adjustments		
Losses from fair value adjustments	(6,431)	(12,522)
Impairments losses		
Transfers (to)/from Property, Plant and Equipment	0	0
Transfers (to)/from Asset Held for Sale	0	(459)
Balance at end of the year	<u>95,960</u>	<u>102,271</u>

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 21 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets include both purchased licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis.

	2024/2025	2023/2024
	Purchased	Purchased
	Software	Software
	Licences	Licences
	£000	£000
Gross carrying amounts	503	503
Accumulated amortisation	(295)	(233)
Net Carrying amount	208	270
Additions		
Amortisation for the period	(9)	(62)
Disposals	(162)	
Category Adjustments		
Net carrying amount at end of year	37	208
Comprising:		
Gross carrying amounts	341	503
Accumulated amortisation	(304)	(295)
	37	208

EXPLANATORY NOTES

OTHER NOTES TO BALANCE SHEET

Note 22 Short Term Debtors

These represent sums owed to the Council for supplies and services provided before 31st March 2025 but not received at that date.

	2024/2025	2023/2024
	£000	£000
Other Local Authorities	0	0
Government Departments	10,245	1,611
Other entities & individuals:		
Share of Business Rates and Council Tax	774	779
Housing Benefit Overpayments	774	1,672
All other bodies	6,437	847
Payments in Advance	1,636	1,838
Total Short Term Debtors	19,866	6,747
Less: Allowance for expected credit losses		
General Fund debtors	(1,083)	(943)
Housing Benefit Overpayments	(717)	(717)
Council Tax arrears	(148)	(115)
Business Rates Arrears	(139)	(228)
Total Allowance for expected credit losses	(2,087)	(2,003)
Net Debtors	17,779	4,744

Note 23 Cash and Cash Equivalents

This consists of the Council's cash and bank accounts.

	2024/2025	2023/2024
	£000	£000
Cash in hand	0	0
Call accounts	6,938	10,786
Bank Balances	349	(650)
	7,287	10,136

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 24 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31st March 2025 but not paid for at that date.

	2024/2025 £000	2023/2024 £000
Other Local Authorities	(3,832)	(163)
Government Departments	(4,176)	(5,573)
Government Departments - Covid Business grants	(286)	(286)
All other bodies	(6,318)	(3,736)
Receipts in Advance	(3,023)	(1,992)
Accumulated Absences	(246)	(213)
Total Short Term Creditors	(17,881)	(11,963)

Note 25 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. These should be recognised where the Council has a present obligation as a result of a past event, that it is probable (i.e. the event is more likely than not to occur) that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made. If these conditions are not met no provision should be recognised. Amounts set aside for purposes falling outside the definition of provisions should be considered as earmarked reserves.

1) A provision to cover the expected exit costs of the ICT contract; £183,430.

Note 26 Income from Grants and Contributions

	2024/2025 £000	2023/2024 £000
Credited to Taxation and Non Specific Grant Income		
New Homes Bonus	(234)	(699)
Government Grants	(2,797)	(2,142)
Business Rates Retention Scheme	(13,255)	(13,125)
Total	(16,286)	(15,966)
Credited to Services		
Housing Benefit	(15,293)	(14,687)
Benefits Administration Grant	(167)	(166)
Other Grants and Contributions	(2,316)	(1,329)
Total	(17,776)	(16,182)
Total Grants, Contributions & Donations	(34,062)	(32,148)

EXPLANATORY NOTES

Note 27 Leases

Authority as Lessee

The Authority may enter into lease arrangements to obtain assets used to provide services as an alternative to purchasing. Additionally, the Authority also leases out assets, for example, to community organisations. Lease arrangements may be finance or operating leases. The purpose of this note is to disclose the nature and extent of the Authority's leasing obligations.

Lease Classifications

Leases are classified either as finance leases or operating leases. A finance lease is an arrangement where substantially all of the risks and rewards that are incidental to ownership of the asset, transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risk and rewards are classified as operating leases. Where an arrangement includes both land and buildings, the land and buildings element are considered separately for classification and leases of land are generally considered to be operating leases.

Authority as Lessee: Finance Leases

The Authority entered into a lease with Liverpool Victoria in the late 1970s. Under the arrangement, the Authority leased land at Woolmer Way, Bordon to Liverpool Victoria, who built industrial units on the site and leased the land and buildings back to the Authority. The lease has subsequently transferred to the current lessor, K. S Hampshire. The buildings element of this lease is considered to be a Finance Lease under International Financial Reporting Standards adopted in 2010/11.

The assets acquired under these leases are carried as Investment Properties and Plant & Equipment in the Balance Sheet at the following net amounts:

	31st March 2025 £'000	31st March 2024 £'000
Investment Property	5,034	5,048
Vehicles, Plant and Equipment	0	0
Total	5,034	5,048

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the property acquired by the Authority, and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2025 £'000	31st March 2024 £'000
Current Liability	12	11
Long Term Liability	5,033	5,046
Finance Costs payable in future years	11,415	11,708
Total Minimum Lease payments	16,460	16,765

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

The minimum lease payments will be payable over the following periods. The minimum lease payments do not include rents that are contingent on events taking place over time (such as periodic rent reviews).

	31st March 2025 £'000	31st March 2024 £'000
Up to 1 year	305	305
1 year to 5 years	1,219	1,219
Over 5 years	14,937	15,242
	16,461	16,766

	31st March 2025 £'000	31st March 2024 £'000
Up to 1 year	13	12
1 year to 5 years	60	56
Over 5 years	4,975	4,990
	5,048	5,058

The Authority sub-lets individual units held under the investment property Finance Lease. The total minimum lease payments receivable under non-cancellable subleases was £7.5m at 31st March 2025 (£8.3m at 31st March 2024).

Authority as Lessee: Operating Leases

The authority has also acquired a number of assets under operating lease arrangements. Examples include buildings and equipment. The future minimum lease payments due under non-cancellable leases was £40,988, £36,910 of this is included in assets that are sublet

Minimum Lease Payments under non-cancellable leases:

	31st March 2025 £'000	31st March 2024 £'000
Up to 1 year	5	4
1 year to 5 years	21	17
Over 5 years	34	20
Total	60	41

EXPLANATORY NOTES

Authority as Lessor: Finance Leases

The Authority does not lease any of its assets under a finance lease arrangement.

Authority as Lessor: Operating Leases

The Authority leases land and property under operating leases for the following purposes:

- For the provision of community services including sports facilities, community centres and village halls.
- For economic development purposes, to provide affordable retail accommodation for local business.
- To provide allotment space for local residents.

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

	31st March 2025 £'000	31st March 2024 £'000
Up to 1 year	8	9
1 year to 5 years	21	31
Over 5 years	5	15
Total	35	54

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 28 Borrowing

An analysis of loans by maturity is as follows:

	2024/2025	2023/2024
	£000	£000
Short Term Borrowing		
Maturing within 1 year Temporary Loans	0	0
Maturing within 1 year Long Term Borrowing	(2,658)	(3,092)
	(2,658)	(3,092)
Long Term Borrowing		
Maturing in 1 to 2 years	(2,044)	(1,997)
Maturing in 2 to 5 years	(31,098)	(15,956)
Maturing in 5 to 10 years	(36,733)	(26,820)
Maturing in more than 10 years	(44,568)	(71,668)
Total Maturing after 1 year	(114,443)	(116,441)
Total Borrowing	(117,101)	(119,533)

The total borrowing can be further analysed by lender category:

	2024/2025	2023/2024
	£000	£000
Temporary Loans	0	0
Long Term Loans:		
Public Works Loans Board	(117,101)	(119,533)
Money Market	0	0
	(117,101)	(119,533)

EXPLANATORY NOTES

NOTES RELATING TO RESERVES

Note 29 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Reserve	Note	2024/2025	2023/2024
		£000	£000
General Fund		(3,485)	(3,801)
Earmarked Reserves	30	(10,429)	(12,110)
General Fund balance per			
Movement in Reserves			
Statement		(13,914)	(15,911)
Closing General fund per			
Expenditure & Funding			
Statement		(13,914)	(15,911)
Other Usable Reserves			
Usable Capital Receipts Reserve		(5,410)	(4,816)
Capital Grants and Contributions		(9,525)	(19,699)
Unapplied Account			
Total Usable Reserves		(28,849)	(40,426)

Note 30 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2024/25 and 2023/24.

Earmarked Reserves	2022/23 £000	Movement £000	2023/2024 £000	Movement £000	2024/2025 £000
Asset Management Fund	(1,081)		(1,081)	0	(1,081)
Externally Funded Reserve	(401)		(401)	0	(401)
Corporate Planning Reserve	(3,674)	2569	(1,105)	970	(135)
Service Management Reserve	(1,255)	148	(1,107)	442	(665)
Financial Stability Reserve	(491)		(491)	(1,698)	(2,189)
Welfare Fund Reserve	(570)	(927)	(1,497)	180	(1,317)
Community Grant Fund Reserve	(975)	401	(574)	278	(296)
Property Financial Resilience Reserve	(3,400)	1700	(1,700)	380	(1,320)
Environmental Initiatives Reserve	(506)	84	(422)	128	(294)
Pensions Resilience Reserve	(1,970)	280	(1,690)	473	(1,217)
Digital Strategy Reserve	(2,500)	1751	(749)	533	(216)
S31 Business Rates Reserve	(24)		(24)	0	(24)
Insurance Reserve	(300)		(300)	0	(300)
Housing Reserve	(719)		(719)	(6)	(725)
Environmental Services Reserve	(250)		(250)	0	(250)
Total	(18,116)	6,006	(12,110)	1,680	(10,430)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

The purposes of these reserves are set out below:

- Asset Management Fund** - To fund repairs and maintenance to our assets such as buildings and/or car parks
- Externally Funded Reserve** - These are all external contributions which are committed to specific projects.
- Financial Management Reserve** - To meet any potential future financial liabilities that may arise
- Corporate Planning Reserve** - To cover any future transformation and staff improvement programmes
- Service Management Reserve** - To cover specific service projects which may arise in the future (e.g. economic development work or Local Plan work)
- Financial Stability Reserve** - To provide financial resilience in the event of significant service disruption and/or economic impacts
- Welfare Fund** - A fund to cover our future work on launching welfare initiatives across the District
- Community Grant Fund** - A fund established to cover our 3-year programme of community grants which launched in 2019/20
- Property Financial Resilience Reserve** - Specific fund for costs of future property expenditure
- Environmental Initiatives Reserve** - Specific fund for environmental initiatives
- Pension Resilience Reserve** - Reserve to cover any potential shortfall at next actuary triannual pension revaluation
- Digital Reserve** – Towards future digital expenditure
- S31 Business Rates reserve** - A specific reserve to cover any impacts from Covid on Business Rate recovery
- Insurance Reserve** – A specific reserve to cover any potential Insurance claims made against the Council
- Housing Reserve** – Reserve specifically for Housing activities
- Environmental Reserve** – Reserve to cover potential costs arising from the Joint Venture for Waste

Note 31 Unusable Reserves

Reserve	Note	2024/2025	2023/2024
		£000	£000
Revaluation Reserve	32	(33,985)	(31,800)
Capital Adjustment Account	33	11,554	5,330
Deferred capital receipts		0	(189)
Pensions Reserve	34	1,814	5,968
Collection Fund Adjustment Account	35	(1,177)	(1,022)
Accumulated Absences Account		246	214
Total Unusable Reserves		(21,548)	(21,499)

EXPLANATORY NOTES

Note 32 Revaluation Reserve

The balance of this account represents the revaluation gains as certified by the Council's external valuer – Vail Williams made by the Council arising from increases in the value of its Property, Plant and Equipment assets. The reserve only contains revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains prior to this have been consolidated into the balance on the Capital Adjustment account.

Revaluation Reserve	2024/2025	2023/2024
	£000	£000
Balance at 1 April	(31,800)	(28,414)
Opening Balance at 1 April	(31,800)	(28,414)
Upward revaluation of assets	(2,942)	(3,981)
Downward revaluations of not charged to surplus/ deficit on the provision of services		
Impairment reversals to the Revaluation reserve		
Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services	(34,742)	(32,395)
Difference between fair value depreciation and historic cost depreciation	757	595
Accumulated gains on assets sold or scrapped		
Balance at 31 March	(33,985)	(31,800)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 33 Capital Adjustment Account

The Capital Adjustment Account reflects the timing differences arising from the different arrangements for accounting for the financing of the acquisition of assets and the consumption of those assets.

This account shows the reversal of amounts relating to Capital that are charged to the Comprehensive Income and Expenditure Statement. It also shows the financing of capital expenditure and the reversal of sums charged to the Comprehensive Income and Expenditure Statement that have been set aside to repay debt.

Capital Adjustment Account

	2024/2025 £000	2023/2024 £000
Opening balance at 1 April	5,330	(432)
Prior Year adjustment		0
Opening movement		
Revised Opening Balance 1 April	5,330	(432)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account		
- charges for depreciation of non-current assets	1,659	1,543
- charges for impairment/revaluations of plant, property and equipment	0	155
- (gains)/losses in fair value on Investment properties	6,431	12,523
- amortisation of intangible assets	9	60
- revenue expenditure funded from capital under statute	2,206	1,257
- disposals	704	0
	11,009	15,538
Adjusting amounts written out of Revaluation Reserve	(757)	(595)
Net written out amount of the cost of non-current assets consumed in the year	10,252	14,943
Capital financing applied in the year		
-Use of capital receipts reserve to finance new capital expenditure	(418)	(217)
- revenue expenditure funded from capital under statute	(2,206)	(1,257)
-application of capital grants	0	(2,824)
-statutory provision for the financing of capital investment charged against the general fund	0	(2,431)
-capital expenditure financed from revenue	(1,404)	(2,452)
Balance at 31 March	11,554	5,330

Note 34 Pension Reserve

EXPLANATORY NOTES

Pensions Reserve	2024/2025 £000	2023/2024 £000
Balance at 1 April	5,968	10,168
Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability	(4,509)	(4,674)
Accounting/Financing Adjustments		
Difference between accounting and statutory credit for pension costs depreciation	355	474
Balance at 31 March	1,814	5,968

Note 35 Collection Fund Adjustment Account

Collection Fund Adjustment Account	2024/2025 £000	2023/2024 £000
Balance at 1 April	(1,022)	(1,732)
Prior year adjustment to match NNDR 3		
Difference between accounting and statutory credit for Council Tax	(2)	25
Difference between accounting and statutory credit for Non-Domestic Rates	(155)	685
Balance at 31 March	(1,179)	(1,022)

Note 36 Capital Grants Receipts in Advance

	2024/2025 £000	2023/2024 £000
Amounts falling due after one year (all other bodies)		
S106	(19,761)	(9,165)
Other	(4,826)	(4,252)
	(24,587)	(13,417)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 37 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	31 March 2025		31 March 2024	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	0	0	0	0
Financial assets at amortised Cost	78	78	63	63
Long term Assets	78	78	63	63
Short Term Debtors	423	423	728	728
Trade accounts receivable	2,498	2,498	723	723
Bank deposits less than 3 months	7,287	7,287	10,786	10,786
Cash and bank accounts	0	0	(650)	(650)
Short Term Investments	15,000	15,000	20,000	20,000
Other financial assets at amortised cost	25,208	25,208	31,587	31,587
Total Financial Assets	25,286	25,286	31,650	31,650

Financial Liabilities	31 March 2025		31 March 2024	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short Term Creditors	(5,048)	(5,048)	(5,058)	(5,058)
Public Works Loan Board	(2,658)	(2,874)	(3,092)	(2,819)
Finance Lease	(13)	(13)	(12)	(12)
			0	0
Short Term Financial liabilities at amortised cost	(7,719)	(7,935)	(8,162)	(7,889)
Public Works Loan Board	(114,443)	(88,956)	(116,441)	(93,350)
Finance Lease	(5,033)	(5,033)	(5,046)	(5,046)
LongTerm Liabilities at amortised cost	(119,476)	(93,989)	(121,487)	(98,396)
Total Financial Liabilities	(127,195)	(101,924)	(129,649)	(106,285)

EXPLANATORY NOTES

NOTES RELATING TO CASH FLOW STATEMENT

Note 38 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2024/2025 £000	2023/2024 £000 Original
Purchase of Property, plant and equipment, investment property and intangible assets	418	3,041
Investments - Matured short term investments	(20,000)	(25,000)
Investments - New short term investments	15,000	20,000
Use of Capital Financing	2,206	1,257
Use of Capital Receipts	(4,028)	(9,181)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		
Other receipts from investing activities	0	(1,051)
Net cash flows from investing activities	(6,404)	(10,934)

Note 39 Cash Flow Investing Activities

	2024/2025 £000	2023/2024 £000
Cash Receipts of short and long term borrowing	2,563	1,763
Net cash flows from Borrowing activities	2,563	1,763

Note 40 Cash Flow Financing Activities

	2024/2025 £000	2023/2024 £000
Interest Received	(1,530)	(1,587)
Interest Payable	2,755	2,818
Net cash flow from Financing Activities	1,225	1,231

Note 41 Cash Flow Other Adjustments

	2024/2025	2023/2024
Debtors	(742)	(2,703)
Creditors	7,117	5,954
Provisions	(36)	(1,192)
Accumulated Absences	32	1
Capital Receipts in Advance	(11,170)	2,180
Earmarked Reserves	1,681	6,006
Collection Fund	(155)	710
General Fund	(9,017)	(12,779)
Interest	(1,225)	(1,231)
Net cash flows from Other Adjustments	(13,515)	(3,054)

Note 42

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Defined Pension Scheme

Participation in Pensions Schemes

As part of the terms and conditions of employment for officers and other employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) for civilian employees, administered by Hampshire Pension Fund – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

Liabilities for the LGPS pension scheme have been assessed by an independent firm of actuaries, on an actuarial basis using the projected unit method based on the full actuarial valuation of the fund carried at 31 March 2025.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement on the basis required by IAS 19, contributions payable to the Council pension scheme are based on a 2024 actuarial valuation report dated 31 March 2025. These IAS 19 amounts are then reversed out by a contribution to/from the Pensions reserve, so that they have no impact on the Council Tax.

Assets and liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Council as at 31st March 2025 and 2024 are as follows:

Local Government Pension Scheme	31 March 2025	31 March 2024
	£000	£000
Fair Value of Employer Assets	114,139	110,915
Present Value of Funded Liabilities	(102,063)	(114,829)
Net (Under)/Overfunding in Funded Plans	12,076	(3,914)
Effect of asset ceiling	(13,890)	
Present value of Unfunded Liabilities	0	(2,054)
Net Asset/(Liability)	(1,814)	(5,968)
Amount on balance sheet		
Asset	114,139	110,915
Liability	(115,953)	(116,883)
Liability Amount in Balance Sheet	(1,814)	(5,968)

EXPLANATORY NOTES

The movement in the liabilities in the Pension Fund are as follows:

	Period ended 31 March 2025			Period ended 31 March 2024		
	Assets		Net	Assets		Net
	Obligations	Liabilities	(liability)/	Obligations	Liabilities	(liability)/
	£000	£000	£000	£000	£000	£000
Fair value of employer assets			0	0	0	0
Present value of funded liabilities	110,915		110,915	103,069	0	103,069
Present value of unfunded liabilities		(116,883)	(116,883)	0	(113,237)	(113,237)
Opening Position	110,915	(116,883)	(5,968)	103,069	(113,237)	(10,168)
Service cost						
Current service cost		(2,128)	(2,128)	0	(2,106)	(2,106)
Past service cost (including curtailments)		(309)	(309)	0	(322)	(322)
Effect of settlements			0	0	0	0
Total service cost	0	(2,437)	(2,437)	0	(2,428)	(2,428)
Net interest						
Interest income on plan assets	5,288		5,288	4,811	0	4,811
Interest cost on defined benefit obligation		(5,576)	(5,576)	0	(5,190)	(5,190)
Impact of asset ceiling on net interest			0	0	0	0
Total net interest	5,288	(5,576)	(288)	4,811	(5,190)	(379)
Total defined benefit cost recognised in Profit or (Loss)	5,288	(8,013)	(2,725)	4,811	(7,618)	(2,807)
Cash flows						
Plan participants' contributions	825	(825)	0	811	(811)	0
Employer contributions	2,177		2,177	2,146	0	2,146
Contributions in respect of unfunded benefits		193	193	187	0	187
Benefits paid	(4,346)	4,346	0	(4,367)	4,367	0
Unfunded benefits paid			0	(187)	187	0
Expected closing position	114,859	(121,182)	(6,323)	106,470	(117,112)	(10,642)
Remeasurements						
Change in demographic assumptions		205	205	0	2,242	2,242
Change in financial assumptions		17,646	17,646	0	(37)	(37)
Other experience		1,268	1,268	0	(1,976)	(1,976)
Return on assets excluding amounts included in net interest	(720)		(720)	4,445	0	4,445
Changes in the effect of the asset ceiling			(13,890)			
Total remeasurements recognised in Comprehensive Income and Expenditure	(720)	19,119	4,509	4,445	229	4,674
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	114,139		114,139	110,915	0	110,915
Present value of funded liabilities		(102,063)	(102,063)	0	(116,883)	(116,883)
Effect of Asset Ceiling			(13,890)			0
Present value of unfunded liabilities			0	0	0	0
Closing position	114,139	(102,063)	(1,814)	110,915	(116,883)	(5,968)

Pension Assumptions

Financial Assumptions

The estimates of pensions payable in future years are dependent on certain assumptions. The main assumptions used in the calculations are:

Assumptions as at Year Ended:

	31 March 2025	31 March 2024
	% per annum	% per annum
Rate of inflation	2.8%	2.8%
Pension Increase Rate	2.8%	2.8%
Salary Increase Rate	3.8%	3.8%
Discount Rate	5.8%	4.8%

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Assumptions on Mortality Rates

Life expectancies for the prior period-end are based on the Fund's analysis. The allowance for future life expectancies is shown below:

Mortality assumptions:	31 March 2025	31 March 2024
Longevity at 65 for current pensioners:		
Men	22.0	22.1
Women	24.7	24.7
Longevity at 45 for future pensioners:		
Men	22.5	22.6
Women	25.6	25.7

Information about the defined benefit obligation

The obligation shows the underlying commitments that the Council has in the long run to pay retirement benefits. Statutory arrangements for the funding of the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

	Liability split
	%
Active members	32
Deferred members	17
Pensioner members	51
Total	100

Pension Assets

Fair value of employer assets

Assets in the Pension Fund are valued at a fair value, principally market value for investment and consist of the following categories, by proportion:

Asset Category	31 March 2025			31 March 2024		
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
Equities	33.3%	0.0%	33.3%	37.9%	0.0%	37.9%
Government Bonds	14.6%	0.0%	14.6%	14.5%	0.0%	14.5%
Corporate Bonds	4.5%	4.7%	9.2%	4.7%	5.1%	9.9%
Private Equity	0.0%	8.9%	8.9%	0.0%	7.9%	7.9%
Property	0.0%	9.1%	9.1%	0.0%	7.5%	7.5%
Investment Funds	0.0%	11.1%	11.1%	0.0%	9.1%	9.1%
Cash	1.9%	0.0%	1.9%	0.8%	0.0%	0.8%
Others	9.2%	2.6%	11.7%	5.4%	7.1%	12.4%
Totals	63.5%	36.5%	100.0%	63.3%	36.7%	100.0%

EXPLANATORY NOTES

Projected defined benefit costs for the period to 31 March 2025

The employer contributions for the year to 31 March 2025 was £2.177 million.

Additional note in relation to Pensions

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, East Hampshire District Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

NOTES RELATING TO ACCOUNTING DECISION-MAKING

Note 43 Accounting Standards that have been issued but have not yet been adopted

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2024/25 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are to be introduced by the 2024/25 Code are;

- IAS 21 The Effects of Changes in Foreign Exchange rates
- IFRS17 Insurance Contracts, IFRS17 replaces IFRS4
- Amendment to IAS12 International Tax Reform
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

It is anticipated that the above amendments will not have a material impact on the information provided in the statement of accounts.

Note 44 Critical Judgements in applying accounting policies

In applying the Accounting Policies set out in the Notes to the Accounts, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The main critical judgement made in the Statement of Accounts relates to the uncertainty of Local Government Funding. There is a general uncertainty on both Revenue and Capital which brings a level of risk to the Council and the effect on services being provided.

However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

provision. These assumptions are included in the Council's Business Plan and this is being regularly reviewed in these constantly changing times.

Note 45 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

The Council's external valuers provide a valuation of all properties every 5 years with the exception of its Investment Portfolio which is valued annually. This process is to identify material movements in their valuation and to review the estimated life of the asset.

Investment Property

The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. A 10% change in the valuation of the Investment Property Portfolio represents c£10 million based on current valuations.

Pensions Liability

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 Council with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured and further details of the assumptions are in note 42.

Arrears

At 31 March 2025, the Council had a balance of short term debtors of £17.8 million. An allowance for expected credit losses of £1.8 million or around 10% of the debt has been made. The current economic climate has made the estimation of debt impairment more difficult, and this will continue to be monitored and adjusted as more information/stability arises.

An increase or decrease in collection rates would have the effect of changing the level of allowance for expected credit losses needed.

Note 46 Authorisation of Accounts for Issue

These accounts were considered and authorised by the Chief Financial Officer of East Hampshire District Council on 30th June 2025.

EXPLANATORY NOTES

Note 47 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 30th June 2025. Events taking place after this date are not reflected in the financial statements or notes.

Where events take place or further information is obtained before this date, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

There are no adjusting events after the Balance Sheet date for 2024/25 however there were 2 significant property transactions that took place in December 2025 which will be reported accordingly in the 2025/26 Statement of Accounts.

Note 48 Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council is required to disclose an estimate in respect of future costs that may occur that are not currently reflected in the accounts. The Council has no contingent liabilities as at 31st March 2025.

Note 49 Nature and Extent of risks arising from Financial Instruments

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.)

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Refinancing risk** - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

The Council uses the creditworthiness service provided by MUFG Corporate Markets (formally known as Link Asset Services).

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

The full Investment Strategy for 2024/25 was approved by Full Council in February 2024 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set using internal ratings in accordance with parameters set by the Council.

Note 50 Fair Value

All financial liabilities and financial assets represented by amortised cost, and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For PWLB loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 51 Fair Value Measurement of Investment Properties Significant Unobservable Inputs Level 3

The whole of the Council's Investment Estate is 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).

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's Finance Officers work closely with the external valuer's and the Council's internal Strategic Property service reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

EXPLANATORY NOTES

Note 52 Interest in Other Entities

The Council must consider all its interests in entities and prepare a full set of group accounts where they have material interests in subsidiaries, associates or joint ventures. The following actions are carried out:

- Determine whether the Council has any form of interest in an entity.
- Assess the nature of the relationship with the Council.
- Determine the grounds of materiality whether group accounts should be prepared.

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have not been prepared.

The Council has a controlling interest in;

- 1) East Hampshire Commercial Services (EHCS) – a Local Authority Trading Company
- 2) East Hampshire Norse (EHN) – a Joint Venture

East Hampshire Commercial Services – ceased trading in June 2024

- The registered name of the company was East Hampshire Commercial Services Ltd
- The principal activities of the company were primarily enforcement work
- The immediate and ultimate parent undertaking is East Hampshire District Council
- The Council holds 100% ownership of the company
- Group Accounts have not been prepared on the grounds of materiality.

East Hampshire Norse

- The registered name of the Joint Venture is East Hampshire Norse Ltd
- EHN primary function is to deliver a waste collection service for East Hampshire District Council
- The immediate and ultimate parent undertaking is East Hampshire District Council
- Group Accounts have not been prepared as the costs are captured within its net cost of services (part of Contract Management)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Notes to Accounts Accounting Policies

Going Concern

The Code of Practice on Local Authority Accounting in the United Kingdom requires an authority's financial statements to be prepared on a going concern basis on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, alternative arrangements would be made by Central Government, either for the continuation of the services it provides by a successor authority or authorities, or for assistance with the recovery of a deficit over more than one financial year.

Consequently, the financial statements have been prepared on a going concern basis

The councils Medium Term Financial Strategy (MTFS) to 2029/30 was agreed by Council in February 2025 which showed a balanced budget across the 5-year period. Within the MTFS, financial assumptions and risks have been made against the backdrop of the one-year financial settlements from Central Government. The Council's revenue position remains strong and is underpinned by its Investment Portfolio, its short-term investments (deposits) and not being heavily reliant on the Government Financial Settlement through changes embedded within the organisation via its Transformation programme.

Our going concern period up to March 2027, forecasts that our overall reserve position will be £14.5 million, an increase of £0.6 million from our current position representing the strong position the Council has to absorb unforeseen pressures that may arise in the future. Our cashflow across the same period is forecasted to remain consistent with 2024/25 with no significant changes.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2013 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. However for low individual value annual transactions (e.g. licences) this is recognised on a cash basis.
- The new revenue recognition standard in IFRS 15 introduces a single model for income with prescribed steps to identify when control of goods or services passes to the customer together with associated revenue in the contract between the parties. An assessment was made of the income streams and the effect of IFRS 15 on the accounts which was found to be immaterial.

EXPLANATORY NOTES

- Supplies are 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 inventories on the Balance Sheet. Inventories below £10,000 are considered immaterial and are expensed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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.

3. Accounting for Council Tax and Non Domestic Rates

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, overpayment creditors and receipts in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is held as part of the Short-Term Creditors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Other short term deposits are investments that mature in no more than 6 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

6. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- revaluation and impairment gains, where they reverse losses previously charged to services
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the Comprehensive Income and Expenditure Statement (CI&ES) when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Hampshire pension fund attributable to the 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, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unlisted securities - current bid price

EXPLANATORY NOTES

- property - market value
- The change in the net pensions' liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of other Operating Expense's
 - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - remeasurements comprising:
 - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - contributions paid to the Hampshire pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Fair Values

The Council measures some of its non-financial assets (surplus assets and investment properties), and its available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction at the year end. The fair value

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

measurement assumes that the transaction 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.

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

When measuring the fair value the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end.
- Level 2 Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

10. 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 in another entity. Non-exchange transactions, such as those relating to taxes, benefits, and government grants, do not give rise to financial instruments.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Liabilities include trade payables. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

The business model of the Council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

EXPLANATORY NOTES

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a substantial amount of investments and employs treasury management advisers in addition to full time professional staff. However, reasonable and verifiable information to support the measurement of lifetime losses on individual instruments is not available without undue cost or effort. Losses are mainly assessed for the portfolio on a collective basis.

Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances whilst making use of a simplified approach contained in regulations.

Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.

Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Group 3 – Other loans to local businesses, in support of the Council vision and objectives. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are charged to the Other Comprehensive Income and Expenditure and are held in the Financial Instrument Revaluation Reserve.

Movements in amortised cost are charged to the Surplus or Deficit on the Provision of Services. Cumulative gains/losses on fair value are transferred to the Surplus or Deficit on the Provision of Services on derecognition.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council has elected to charge a Community Infrastructure Levy (CIL), charged on new builds with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund various projects described as “infrastructure” in a broader sense than used for Council property. The infrastructure investment is determined in the 123 list and it is not necessarily this Council that will undertake the works.

The CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the comprehensive income and expenditure statement in accordance with the accounting policy for government grants and contributions set out above. Part of the CIL income is retained to offset the cost of administration and is accounted for as income for the Planning service. Some is also payable to Town and Parish Councils: this is treated as an agency service and is excluded from the Comprehensive Income and Expenditure Statement. The rest is intended for use to finance capital and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income and is then transferred to the Capital Grants Unapplied Reserve. A small proportion of the monies may be used to fund revenue expenditure.

The income from CIL is accounted for on an accruals basis and recognised immediately in the CI&ES at the commencement date of the chargeable development. Surcharges and interest received in accordance with the CIL regulations will be accounted for as if they were CIL receipts.

12. Investment Property

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.

EXPLANATORY NOTES

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use.

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

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.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and that authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its

useful life, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive

Income and Expenditure Account, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

14. Interest in Companies and Other Entities

Local authorities are required to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. In order to assess whether the Council has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations and other public bodies to determine whether.

- the Council has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the Council.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

- If the authority does not have control, whether its interest involves it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.
- If the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities. The Council has a controlling interest in a Local Authority Trading Companies, which provide enforcement and consultancy services, EH Commercial Services Limited. Fuller disclosures have been made in the interests in other entities note in the Core Financial Statements.

The relationship with the body disclosed is not material and therefore there is no entity where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

The position will be reviewed and updated on an annual basis.

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

EXPLANATORY NOTES

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16. Overheads and Support Services

The recharging of overheads and support services is not reflected in any part of these accounting statements and notes.

17. Property, Plant and Equipment

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase prices
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.
- Community assets and assets under construction - historic cost.
- Land and buildings - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy 2.9 above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or fair value at the year-end. All investment properties are subject to a full valuation every year including surplus assets. In addition, the top 10 assets in value and the top 20% across the portfolio are subject to a valuation. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The values of Land and Buildings assets individually worth less than £15,000 are not capitalised.

Impairment

Assets are assessed at each year-end as to whether there is any indication that the value of an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

EXPLANATORY NOTES

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 50 years depending on the asset.
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 3 and 20 years.
- Infrastructure - straight-line allocation over 10 to 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation of Property Assets

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has assessed that there are no assets where the components have a significant cost and need to be depreciated as components.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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.

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation 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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the 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 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.

19. Reserves

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- Earmarked Reserves: The Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
 - revalued downwards or impaired and the gains are lost
 - used in the provision of services and the gains are consumed through depreciation, or
 - disposed of and the gains are realised.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account

EXPLANATORY NOTES

contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.

- **Deferred Capital Receipts:** in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long-term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- **Pensions Reserve:** The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the 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 substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- **Collection Fund Adjustment Account:** this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- **Accumulated Absences Reserve:** this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
- **Financial Instrument Revaluation Reserve:** this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
 - revalued downwards or impaired and the gains are lost.
 - disposed of and the gains are realised.

20. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the CI&ES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

21. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

Collection Fund

The Collection Fund is a statutory fund. It covers Council Tax and Non-Domestic Rate collection and the precepts of Council, the Office of the Police and Crime Commissioner for Hampshire (Police), Hampshire Fire and Rescue Service (Fire) and Parish Councils.

NOTE	Non-Domestic Rates 2024/2025	Council Tax 2024/2025	Total 2024/2025 £000	Non-Domestic Rates 2023/2024	Council Tax 2023/2024	Total 2023/2024 £000
Income						
Council Tax		(112,335)	(112,335)	0	(106,710)	(106,710)
Non-Domestic Rates	(32,498)		(32,498)	(27,652)	0	(27,652)
Transferred from General Fund						
Transitional Relief	(1,602)		(1,602)	(4,029)	0	(4,029)
Section 13A relief						0
Total Income	(34,100)	(112,335)	(146,435)	(31,681)	(106,710)	(138,391)
Disbursement						
Precepts and Demands						
- East Hampshire District Council	13,598	12,946		12,879	12,415	
- Hampshire County Council	3,060	80,648		2,898	76,782	
- Police & Crime Commissioner	0	13,753		0	13,222	
- Hampshire Fire Authority	340	4,357		322	4,229	
- Central Government	16,997			16,098		
Share of surplus/(deficit) on Collection Fund			145,699			138,845
- East Hampshire District Council	729	0		546	(53)	
- Hampshire County Council	164	0		123	(328)	
- Police & Crime Commissioner	0	0		0	(57)	
- Hampshire Fire Authority	18	0		14	(18)	
- Central Government	912			683		
			1,824			910
Cost of collection allowance	159	0		158	0	
Movement in allowance for Bad Debts	271	611		762	(54)	
Write-offs	0	0		0	0	
Appeals	(2,546)	0		1,871	0	
Other transfers to general fund	127	0		83	0	
			(1,378)			2,819
Total Expenditure	33,830	112,315	146,145	36,436	106,138	142,574
Fund (surplus)/deficit for the year	(270)	(20)	(290)	4,755	(572)	4,183
	Non-Domestic Rates	Council Tax	Total	Non-Domestic Rates	Council Tax	Total
Fund balance b/f	1,776	(4,471)	(2,694)	(2,979)	(3,899)	(6,878)
(Surplus)/deficit for year	(270)	(20)	(290)	4,755	(572)	4,183
Fund balance c/f	1,506	(4,491)	(2,984)	1,776	(4,471)	(2,694)

Notes to the Collection Fund

1 Council Tax

Council Tax is charged according to the Government's valuation of residential properties as at 1 April 1991. Valuations are stratified into eight bands for charging purposes. Individual charges are calculated by estimating the total amount of income required by the Collection Fund's preceptors and dividing this by the Council Tax base. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.

The average amount of Council Tax required from a property in any tax band is the band D charge; the average for the Council was £146.92 for 2024/25 multiplied by the ratio specified for that band. Ratios specified for the bands A to H are as follows:

Band	Ratio	Estimated No. of Taxable Properties after discounts	2024/2025 Band D Equivalent Dwellings	2023/2024 Band D Equivalent Dwellings
Band A Disabled	5/9	5	2	2
Band A	6/9	1,610	1,148	1,163
		1,616	1,149	1,165
Band B	7/9	4,128	3,075	3,120
Band C	8/9	10,641	9,422	9,529
Band D	9/9	10,519	10,122	10,168
Band E	11/9	10,425	10,306	10,241
Band F	13/9	9,344	9,279	9,186
Band G	15/9	8,074	8,037	7,973
Band H	18/9	1,209	1,209	1,200
Council Tax Base		55,955	52,599	52,581

2 National Non-Domestic Rates

The total non-domestic rateable value at 31st March 2025 was £98,458,251 (£97,231,917 at 31st March 2024). The national non domestic multiplier for the year was 54.6p (51.2p in 2023/24) and the small business rates relief multiplier was 49.9p (49.9p in 2023/24).

3 Collection Fund Balance

The Council has to record transactions for Council Tax and Non-Domestic Rates in the Collection Fund Account. The balance, as usable income, will be paid/recovered to/by the Council and its major preceptors in future years.

	Non-domestic Rates 2024/2025 £000	Council Tax 2024/2025 £000	Total 2024/2025 £000	Non-domestic Rates 2023/2024 £000	Council Tax 2023/2024 £000	Total 2023/2024 £000
Hampshire County Council	(206)	(2,415)	(2,621)	(430)	(2,382)	(2,811)
Police	0	(411)	(411)		(406)	(406)
Fire	(23)	(130)	(153)	(48)	(129)	(176)
Central Government	(1,145)	0	(1,145)	(2,390)	0	(2,390)
	(1,374)	(2,956)	(4,330)	(2,867)	(2,916)	(5,784)

Glossary of Terms

For the purposes of compiling the Statement of Accounts, the following definitions have been adopted and may be useful to the reader in understanding terminology used in the statement.

Accruals

The recognition of income and expenditure as it falls due, not when cash is received or paid.

Actuarial gains & losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Amortisation

The writing down of the value of intangible fixed assets in line with its programmed useful life.

Assets

These can be either:

- **Intangible assets** – assets which are non-physical in form, that is, which cannot be seen. Examples are patents, goodwill, trademarks and copyrights.
- **Property plant and Equipment (PPE) assets** – tangible assets that give benefits to the Council for more than one year.
- **Community assets** – assets without determinate life that the Council intends to hold in perpetuity. They may have restrictions on their disposal. Examples include parks and historic buildings.
- **Infrastructure assets** – inalienable fixed assets such as highways and footways.
- **Non-operational assets** – fixed assets not directly used for service provision. Examples include surplus land and buildings awaiting sale or further development.
- **Heritage assets** – Assets held solely for historical, artistic, scientific, technological, geophysical or environmental qualities.

Balance Sheet

A summary of all the assets, liabilities, funds, reserves etc.

Best Value

The Council duty to provide effective and efficient services based on community need and desire.

Budget

The Council's financial plans for the year. Both capital and revenue budgets are prepared and, amongst other things, used as performance measures.

Capital Expenditure

Expenditure on the provision and improvements of lasting assets such as land, buildings, vehicles and equipment. The Council may also incur capital expenditure on assets that it does not actually own (see Revenue Expenditure Financed from Capital under Statute, below).

Capital Receipts

The proceeds of the disposal of assets, non-approved investments and the repayment of grants made by the Council.

Cash Flow Statement

A summary of the inflows and outflows of cash with third parties for revenue and capital purposes.

Cash Equivalents

Cash equivalents are investments that mature 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the institute of professional local government accountants and produces standards and codes of practice followed in the production of a Council's accounts.

Code of Practice

Issued by CIPFA, this is a code of proper accounting practice with which Local Authorities in England and Wales must comply in preparing their financial statements.

Comprehensive Income and Expenditure Statement (CI&ES)

This account shows expenditure on and income from the Council's day-to-day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Council.

Creditors

Money owed by the Council to others.

Debtors

Money owed to the Council by others.

Defined Benefit Scheme

A pension scheme under which benefits are payable under regulations, in which the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

Depreciation

The writing down of the value of tangible fixed assets in line with its programmed useful life.

Earmarked Reserves

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

Employee Costs

Pay and associated costs such as national insurance, pension contributions etc.

Exceptional Items

Items that, although usual to the activities of the Council, by their nature need separate disclosure because of their unusual size or incidence.

Extraordinary Items

Material items needing separate disclosure because they are unusual to the activities of the Council by their nature.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors and derivatives and embedded derivatives.

General Fund

The main revenue fund of the Council which shows income from and expenditure on the Council's day-to-day activities. It excludes the provision of housing which must be charged to a separate Housing Revenue Account.

Government Grants

The amounts of money the Council receives from the Government and inter-government agencies to help fund both general and specific activities.

Gross Expenditure

Expenditure before deducting any related income.

Investment Properties

Property held solely to earn rentals or for capital appreciation or both.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

IFRSs

International Financial Reporting Standards issued by the Accounting Standards Board requiring information to be shown in accounts.

Leases

These may be finance leases that transfer substantially all the risks and rewards of ownership of an asset to the Council. Alternatively, they may be operating leases that are more akin to a hire agreement.

Liabilities

Amounts the Council either owes or anticipates owing to others, whether they are due for immediate payment or not.

Long Term Contracts

A contract that, once entered into, will take longer than the current period of account to complete.

Minimum Revenue Provision (MRP)

Statute requires revenue accounts to be charged with a Prudent Minimum Revenue Provision as a notional redemption cost of all external loans.

Net Expenditure

Gross expenditure less directly related income.

Non-Domestic Rates (NDR)

The Council collects Non-Domestic Rates from local businesses and organisations. The income is then distributed between the Council, Central Government, Hampshire County Council and Fire Authority in line with the relevant statutory and accounting guidelines.

Past Service Cost

Discretionary pension benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

Precept

The amount of income demanded of the Collection Fund by an authority entitled to that income.

Preceptor

An authority entitled to demand money of the Collection Fund. The preceptors on the Council's Collection Fund are the Council itself, the Office of the Police and Crime Commissioner Fire and Rescue Service and Parish and Town Councils.

Provisions

Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure.

Public Works Loan Board (PWLB)

A Government financed body which provides a source of long term borrowing for local authorities.

Rateable Value

Assessment by the Inland Revenue of a property's value from which rates payable are calculated.

Reserves

Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure.

Revaluation Reserve

A capital reserve where changes in the value of fixed assets are disclosed when they are revalued.

Revenue Expenditure

Day-to-day running costs of services.

Revenue Income

Day to day income received for services.

Revenue Expenditure Funded From Capital Under Statute

Legislation in England and Wales allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example Disabled Facility Grants.

Revenue Support Grant

A Government grant paid towards the cost of General Fund services.

Running Expenses

The cost of running a service less employee expenses and capital charges.

Unusable Reserves

These are reserves, including those offsetting non-current assets and the negative reserve that offsets the long term pension liability, that are not immediately available to support revenue or capital expenditure.

Usable Reserves

These reserves are available to support the Council's expenditure, although the Capital Receipts Reserve and the Capital Grants and Contributions Reserve may only be used for capital purposes.

Usable Capital Receipts Reserve

This reserve holds the amounts of capital receipts derived from the disposal of fixed assets until such a time that they are used to finance capital expenditure.

Useful Life

The anticipated period that an asset will continue to be of benefit.

Value Added Tax (VAT)

An indirect tax levied on vatiable goods and services.