

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

2025/26

Contents

	Page
Annual Report	
Director of Finance's Narrative Report	2
Annual Governance Statement	16
Statements to the Accounts	
Statement of Responsibilities for the Statement of Accounts	18
Independent Auditors' Report to the Members of the Council	19
Key Financial Statements	
Comprehensive Income & Expenditure Account	21
Movement in Reserves Statement	22
Balance Sheet	23
Cash Flow Statement	24
Expenditure & Funding Analysis Statement	25
Explanatory notes	
Notes to the Core Financial Statements	26
Notes to Accounts Accounting Policies	65
Collection Fund (including notes)	79
Glossary of Terms	81

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 2026 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 2025/26 ("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 2025/26 is 30th June for the unaudited statement of accounts and 31st January 2027 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 2025/26 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 (18) and Whitehill & Bordon Community Party (6). The remaining seats were shared between Liberal Democrat (14), Independent (2), Green (1), Independent Conservative (1) and Labour (1).

The councillors are supported by around 280 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

- Paper submitted to Council and Cabinet for July to propose the preferred option for Local Government Reorganisation of 4 unitary authorities for wider stakeholder engagement and additional analysis, ahead of further consideration at Cabinet and Council in September.
- Successfully started the roll out of the new Cllr IT devices to members, which is going to allow us to take the next step in working towards a paperless committee meetings.
- We were shortlisted in the "most improved council" category at the 2025 LGC Awards, for the huge changes we have made and completely transforming the way we operate.
- First steps taken with Performance Improvement to effectively report on performance data.
- Climate Change Scorecards: Announced on 17th June by Climate Emergency UK, EHDC scored 40%, above the 35% district average, and improved by 17% since 2023

Quarter 2

- Engaged with residents and stakeholders about proposal for LGR and submitted this to government on 26th September
- EHDC's office 331 solar panels save 31 tonnes of CO2 in a year <https://www.easthants.gov.uk/news/2025/office-solar-panels-save-31-tonnes-co2-year>
- USKP funded programme to support SMEs launched at a business event in July
- Launched our £129,000 Community Climate Action Fund enabling groups to bid for project funding
- Grow Up! Funding enables new £250,000 building to be built at Butser Ancient Farm <https://www.easthants.gov.uk/news/2025/grow-funding-brings-new-building-butser-ancient-farm>
- Work begins on Sainsburys foodstore site in Whitehill & Bordon <https://www.easthants.gov.uk/news/2025/work-begins-sainsburys-foodstore-site-whitehill-bordon>
- New playpark opens in Headley Down <https://www.easthants.gov.uk/news/2025/new-playpark-opens-headley-down>
- Business rate relief plan launched to encourage investment and create jobs <https://www.easthants.gov.uk/news/2025/rate-relief-plan-will-encourage-investment-and-create-jobs>

Quarter 3

- Full Council went digital to save power, paper and money
- In October, Cabinet approved an updated Statement of Community Involvement (SCI).
- Our website achieved a 97% accessibility pass rate - our highest score to date - reflecting our commitment to making digital services inclusive and user-friendly
- A total of 14 projects were approved for the Community Climate Action Fund: allocating £129,000 in funding
- The Community Development Strategy, Building Thriving Communities, was formally adopted in November 2025, showing how the council will invest in community development.
- A detailed criteria and assessment process for Community Asset Transfers was finalised
- Free Festive parking – took place on 13 December in Petersfield and Alton to support local retailers in the run up to Christmas
- The Preventing Homelessness and Rough Sleeping Strategy and action plan has been completed and is due for consideration by Cabinet in March

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Quarter 4

- During 2025/26 Citizens Advice East Hampshire supported 5,486 residents with around 16,000 individual issues, delivering significant preventative impact by avoiding escalation into homelessness, debt recovery and health crises. The service generated £1.07m in direct financial gains for clients with £2.98 of savings to the public purse for every £1 invested, helping to reduce pressure on housing, revenues and NHS services
- Helping local residents get on the housing ladder: We supported the delivery of 257 new affordable homes in 2025/26, significantly exceeding the annual target of 150 and a funding allocation of £545,000 from Affordable Housing Developer Contributions has been approved to support the delivery of seven new shared equity homes in Medstead.
- SME Support programme has provided training and 1-1 support for 29 small businesses in areas including financial resilience, recruitment, digital marketing and innovation in 2025-26
- 14 projects have been selected for the Community Climate Action Fund, totaling £129,000
- Councillor Community grants go digital: The new digital platform launched, streamlining the application and approval process, improving accessibility, guidance and communication for councillors and applicants.
- Preparing our communities for LGR: Community Area Partnerships - As part of the council's approach to neighbourhood governance and LGR readiness, two co-design workshops were delivered in Q4 with key partners, alongside a programme of stakeholder engagement to explore geography, function and governance.
- Communications – Communications with key stakeholders following LGR announcement made by central government.
- 'Love Your Crews' campaign ran from 9-14 February this positive mini-campaign highlighted the work of our waste crews. Our messages reached 182,000 views across email, Facebook, Nextdoor and Instagram with more than 2,000 positive interactions.

Key Business Indicators

The table below contains some of our key corporate performance indicators in 2025/26, with comparison figures from 2024/25, we have sought to improve our performance reporting by adding further key performance measures which we now monitor during the year.

Key Performance Indicator	2025/26	2024/25
Business Rates collection rate	97.64%	96.46%
Council Tax collection rate	98.24%	98.33%
Major planning applications decided within 13 weeks or agreed extension (over 70%)	100%	Not available
Minor planning applications decided within 13 weeks or agreed extension (over 65%)	85%	Not available
All planning applications decided within 26 weeks (above 98%)	95%	Not available
Homelessness interventions (above 600 for the year)	669	781
Customer satisfaction with service centre (above 97%)	96%	94.7%
Freedom of Information requests responded within statutory deadline (above 95%)	100%	99%

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.

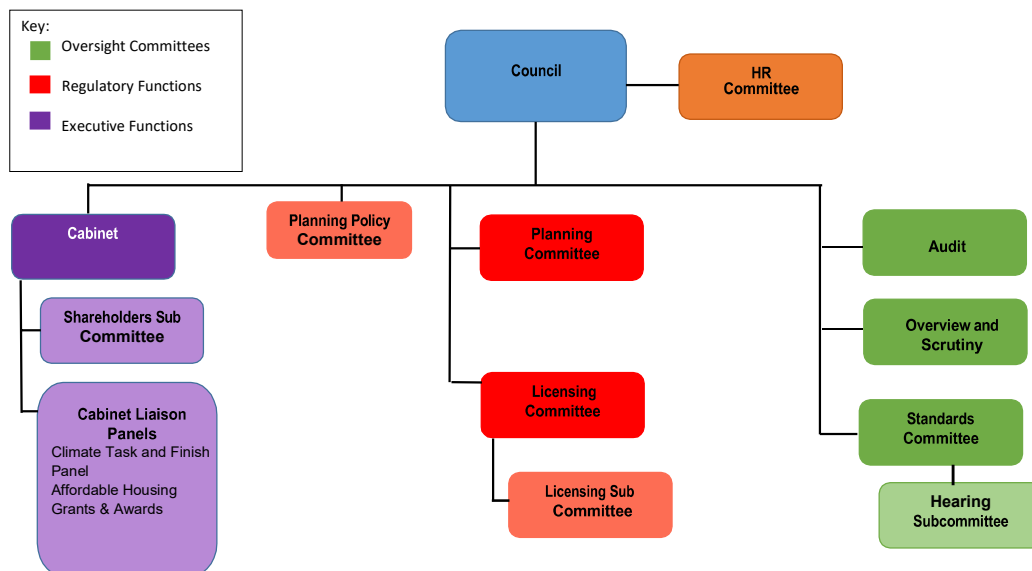
ANNUAL REPORT – FINANCE NARRATIVE REPORT

All councillors meet together for Full Council meetings during the 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 2025/26.

RESPONSIBILITY FOR FUNCTIONS
The Council's Management Structure, Diagram of Decision-Making Bodies, and Introduction to Decision Making

East Hampshire Decision Structure



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.

Overview & Scrutiny Committee

The Committee is made up of 10 Councillors and meet regularly 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

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Audit Committee

The Committee is made up of 6 Councillors and meet regularly 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 meet regularly 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 14 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 meet 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.

Planning Policy Committee

The Committee is made up of 10 Councillors and meet regularly 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.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Human Resources Committee

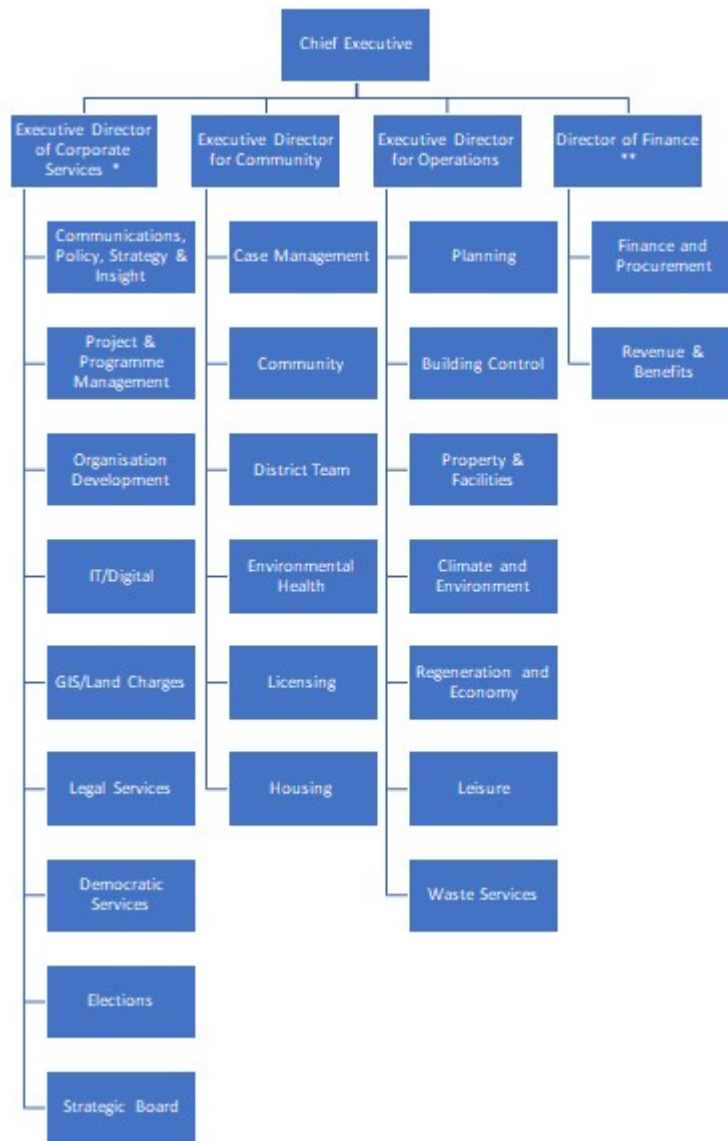
The Committee is made up of 6 Councillors and met 5 times during the year.

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.



* 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	2025/26	2024/25
Total number of current permanent full and part time employees inc fixed term	264	272
Total number of employees	264	272
Total number of employees expressed as full-time equivalents	241	245

Sickness and accident statistics are shown in the table below:

	2025/26	2024/25
Short term sickness (days per FTE)	1.89	2.38
Long term sickness (days per FTE)	7.73	5.22
Overall sickness (days per FTE)	9.62	7.59

ANNUAL REPORT – FINANCE NARRATIVE REPORT

4. A Summary of the 2025/26 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 underspend of £294,000 which was achieved during significant change to the Council and continued pressures being experienced.

Directorate/Service	Final Budget £'000	2025/26 Outturn £'000	Variance £'000
Community			
Case Management	1,057	1,041	(16)
Community	1,306	1,274	(32)
District Team	(1,262)	(1,183)	79
Environmental Health	925	790	(135)
Licensing	134	108	(26)
Housing	9	18	9
SEHF Savings	0	0	0
Total Community	2,169	2,048	(122)
Operations			
Planning	1,515	1,177	(338)
Building Control	89	21	(67)
Property & Facilities	(4,578)	(4,696)	(118)
Climate and Environment	176	176	(0)
Regeneration and Economy	562	576	15
Leisure	(2,207)	(2,187)	19
Waste Services	6,074	6,074	(0)
Commercial Services	0	0	0
SEHF Savings	0	0	0
Total Operations	1,631	1,141	(489)
Corporate Services			
Communications, Policy, Strategy & Insight	519	404	(115)
Project and Programme Management	421	346	(76)
Organisational Development	452	494	43
IT/Digital	1,862	2,111	249
GIS / Land Charges	14	48	33
Legal Services	522	721	199
Democratic Services	786	785	(1)
Elections	246	253	7
Strategic Board	942	985	42
SEHF Savings	0	0	0
Total Corporate Services	5,764	6,145	382
Finance			
Finance	962	897	(65)
Corporate Finance	(893)	(727)	165
Revenue & Benefits	1,039	873	(166)
Total Finance	1,108	1,043	(65)
Operating Expenses			
Operating Expenses	4,356	4,356	0
Other Earmarked Reserve Movement			0
Total Operating Expenses	4,356	4,356	0
Total Cost of Service	15,028	14,734	(294)
Funding			
Total Funding	(15,028)	(15,028)	0
Net (Surplus) / Deficit	0	(294)	(294)

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	2025/26 Budget £'000	2025/26 Outturn £'000	2025/26 Variance £'000
ICT Equipment	150	35	(115)
Investment Portfolio Activity	2,000	263	(1,737)
Sustainability Projects	100	0	(100)
Wetside	2,000	306	(1,694)
Environment Waste Vehicles inc Food	2,976	3	(2,973)
District replacement vehicles	60	0	(60)
Other Capital Activities	0	6	6
Externally Funding Capital Activity			
Disabled Facilities Grants	1,691	1,677	(14)
UK Prosperity Fund	327	368	41
Total Capital Programme	9,304	2,658	(6,646)
Funding			
REFCUS (Revenue funded as Capital under Statute)	1,691	1,677	(14)
External Grants & Contributions	2,327	253	(2,074)
Use of Specific Reserves	150	159	9
Use of Capital Receipts	5,136	569	(4,567)
Borrowing Requirements	0	0	0
Total Funding	9,304	2,658	(6,646)

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 £1.814 million at 31st March 2025 to £1.668 million at 31st March 2026. It is detailed in Note 42 to the accounts. Gross liabilities have increased by £4.610 million mainly due to changes in financial assumptions, and the fair value of assets has increased by £4.329 million.

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 Medium Term Financial Strategy continues to indicate that the future financing of Council Services remains challenging. This is due to a mixture of reductions in government funding and consistently high demands on Council services, as well as more general economic changes.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

To continue to improve Council efficiency, the Council has an approved transformation programme 'ARC' which will seek to address the challenges the Council faces going forward and continue to improve service efficiency.

Local Government Reorganisation (LGR)

In December 2024 the Government announced a major programme of reform for local governments including 2 related but separate initiatives

- a) Devolving powers and funding from Whitehall to local areas to establish regional mayoral strategic authorities
- b) Creating new unitary local authorities to replace the current 2 tier structure of County Council and District and Borough councils.

Hampshire and Isle of Wight Local Authorities requested to be on the Government's priority programme for devolution and this was confirmed in February 2025.

The government wrote to all councils in the Hampshire and Isle of Wight region and asked them to submit proposals to form new unitary Councils. In March 2026 the Secretary of State of Housing, Communities and Local Government determined that there would be 5 unitary councils for Hampshire and the Isle of Wight to start on 1 April 2028. The new councils will be

North Hampshire, Mid Hampshire, South East Hampshire, South West Hampshire and Isle of Wight.

East Hampshire District Council will be split between the new Councils of Mid Hampshire and South East Hampshire.

The Medium Term Financial Strategy

The Council's Medium Term Financial Strategy was been updated for at budget setting 2026/27 in February 2026. This considers inflation (both pay and contract) and other known changes. This showed a balance MTFS over the next 3 years. The final year of the MTFS covers the first year of the new Unitaries, and this information will be consolidated into budget setting for the new Councils.

ANNUAL REPORT – FINANCE NARRATIVE REPORT

The medium term financial strategy for the period 2026/27 to 2028/29 is set out in the table below was approved by Full Council in February 2026.

East Hampshire District Council

General Fund Summary

2026/27 to 2028/29 Medium Term Financial Strategy

	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Community			
Case Management	1,126	1,126	1,126
Community	1,193	1,193	1,193
District Team	(1,383)	(1,383)	(1,383)
Environmental Health	958	958	958
Licensing	128	128	128
Housing	(47)	(47)	(47)
SEHF Savings	(69)	(69)	(69)
Operations			
Planning	1,915	1,915	1,915
Building Control	89	89	89
Property and Facilities	(3,059)	(3,014)	(2,969)
Climate & Environment	112	112	112
Regeneration & Economy	562	562	562
Leisure	(2,207)	(2,207)	(2,207)
Waste Services	6,521	7,081	7,341
SEHF Savings	(63)	(63)	(63)
Corporate Services			
Communications, Policy, Strategy & Insight	519	519	519
Projects and Programmes	421	421	421
HR	472	472	472
IT/Digital	2,359	2,359	2,359
Data & Intelligence/GIS/Land Charges	35	35	35
Legal Services	562	562	562
Democratic Services	786	786	786
Elections	276	276	276
Executive Office	812	812	812
SEHF Savings	(40)	(40)	(40)
Finance			
Finance	962	962	962
Corporate Finance	(845)	(895)	(945)
Revenue & Benefits	1,035	1,035	1,035
Total Cost of Services	13,130	13,685	13,940
Savings to be identified	0	(640)	(1,020)
Political priorities	150	150	150
Salary inflation	467	974	1,505
Revenue cost of capital expenditure	2,141	2,141	2,181
Net Cost of Services	15,888	16,310	16,756
Parish Precepts	5,913	6,208	6,519
Business Rates Retention	(5,286)	(5,399)	(5,526)
Council Tax growth inc base	(14,308)	(14,912)	(15,542)
General Grants			
Funding Level	(2,257)	(2,309)	(2,356)
Contributions to/(from) Earmarked Reserves	50	102	149
Funding	(15,888)	(16,310)	(16,756)
Balance Deficit/(Surplus)	(0)	0	(0)

ANNUAL REPORT – FINANCE NARRATIVE REPORT

Capital Strategy 2026/27

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 2026/27 was approved by Full Council in February 2026 and is available on the Council's website. Within the capital strategy is the Capital Programme for 2026/27 to 2029/30.

East Hants District Council Capital Programme Summary Project		2025/26 £'000	PROGRAMME 2026-2030 £'000	5 YEAR CAPITAL PROGRAMME FOR MODELLING				TOTAL 2026-2030 £'000	FUNDING
Previously approved Project/Capital Activity									
ICT Equipment	150	600	150	150	150	150	150	600	3
Investment Portfolio Activity	2,000	7,200	1,800	1,800	1,800	1,800	1,800	7,200	4 and 5
Waste Depot	0	1,500	1,500	0	0	0	0	1,500	4
Sustainability Projects	100	400	100	100	100	100	100	400	4
Wetside (Build)	2,000	4,000	4,000	0	0	0	0	4,000	6
Wetside (Fit Out & additional contingency)	0	1,000	1,000	0	0	0	0	1,000	6
Environment Waste Vehicles inc Food	2,976	2,976	2,976	0	0	0	0	2,976	2 and 4
District replacement vehicles	60	60	60	0	0	0	0	60	4
New Capital Activity									
HealthHub	0	991	991	0	0	0	0	991	3 and 6
Cemetery Land	0	315	315	0	0	0	0	315	3
Car Parking Maintenance	0	750	750	0	0	0	0	750	4
Externally Funded Capital Activity									
Disabled Facilities Grants	1,691	5,073	1,691	1,691	1,691	1,691	0	5,073	1
UK Prosperity Fund - Development of Grow Up Farm	327	-	0	0	0	0	0	0	2
Grand Totals	9,304	24,865	15,333	3,741	3,741	2,050		24,865	

East Hants District Council Capital Programme Summary Project		2025/26 £'000	FUNDING 2025-2030 £'000	5 YEAR CAPITAL PROGRAMME FOR MODELLING				TOTAL 2026-2030 £'000
Projected Capital Financing								
1. REFCUS (Revenue funded as Capital under Statute)	1,691	5,073	1,691	1,691	1,691	1,691	0	5,073
2. External Grants & Contributions	327	0	0	0	0	0	0	0
3. Use of Specific Reserves	150	1,061	611	150	150	150	150	1,061
4. Use of Capital Receipts/Future Sales	5,136	14,201	8,501	1,900	1,900	1,900	1,900	14,201
5. Borrowing Requirement	0	900	900	0	0	0	0	900
6. Use of Developer Contributions	0	3,630	3,630	0	0	0	0	3,630
Total Projected Funding	7,304	24,865	15,333	3,741	3,741	2,050		24,865

8. Material assets/liabilities

The Council disposed of 2 Investment Property asset and 2 operational assets 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 29th June 2026

ANNUAL REPORT – ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement

This is part of the accounts but is published separately until the approved.

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 2026 and its income and expenditure for the year ended 31st March 2026.

Matthew Tiller

Chief Finance Officer

Approval of Accounts

The accounts are to be presented to the Audit Committee on the 9th July 2026

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

This will be added following the completion of the annual audit.

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.

	2025/2026			2024/2025		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000 Restated
Community						
Case Management	1,385	(312)	1,073	1,376	(318)	1,058
Community	1,617	(359)	1,258	2,397	(974)	1,423
District Team	1,480	(2,537)	(1,057)	816	(1,926)	(1,110)
Environmental Health	887	(127)	760	986	(132)	854
Licensing	279	(180)	99	300	(157)	143
Housing	1,097	(1,096)	1	978	(947)	31
Operations						
Planning	642	(2,713)	(2,071)	13,998	(1,461)	12,537
Building Control	497	(485)	12	372	(277)	95
Property & Facilities	3,243	(447)	2,796	2,345	(200)	2,145
Climate and Environment	181	(9)	172	174	(25)	149
Regeneration and Economy	661	(98)	563	1,078	(460)	618
Leisure	343	(2,347)	(2,004)	719	(1,197)	(478)
Waste Services	8,339	(2,256)	6,083	7,283	(1,823)	5,460
Commercial Services	0	0	0	305	(279)	26
Corporate Services						
Communications, Policy, Strategy & Insight	393	0	393	460	0	460
Project and Programme Management	339	0	339	381	0	381
Organisational Development	494	(15)	479	643	(70)	573
IT/Digital	2,250	(29)	2,221	2,741	0	2,741
GIS / Land Charges	471	(442)	29	412	(410)	2
Legal Services	790	(79)	711	947	(62)	885
Democratic Services	776	(1)	775	758	0	758
Elections	268	(21)	247	250	(59)	191
Strategic Board	961	0	961	1,313	0	1,313
Finance						
Finance	874	0	874	844	(8)	836
Corporate Finance	1,168	(226)	942	3,350	(1,682)	1,668
Revenue & Benefits	13,348	(12,501)	847	16,075	(15,473)	602
Other Operating I&E	493	(20)	473	(167)		(167)
Net Cost of Service	43,276	(26,300)	16,976	61,134	(27,940)	33,194
Other Operating Expenditure	Note 5		(3,368)			5,398
Financing and Investment Income and Expenditure	Note 6		1,203			1,087
Taxation and non-specific grant income	Note 7		(20,247)			(20,699)
(Surplus)/Deficit on Provision of Services			(5,436)			18,980
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(1,926)			(2,943)
PY adjustment on Property, Plant and Equipment (see note 27)			0			831
Actuarial (gains)/losses on pension assets / liabilities			190			(4,509)
Other Comprehensive Income and Expenditure			(1,736)			(6,621)
Total Comprehensive Income and Expenditure			(7,172)			12,359

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 2024	(15,911)	(4,816)	(19,699)	(40,426)	(21,499)	(61,925)
Opening balance prior year adjustment (see note 27)				0	5,248	5,248
Revised opening Balance 1 April 2024	(15,911)	(4,816)	(19,699)	(40,426)	(16,251)	(56,677)
Movement in reserves during 2024/2025						
Total Comprehensive Income and Expenditure	18,980	0	0	18,980	(7,452)	11,528
PY additional movements					831	831
Adjustments between accounting basis & funding basis under regulations (note 13)	(16,983)	(594)	10,174	(7,403)	7,403	0
Net (Increase)/Decrease before Transfers Adjustment	1,997	(594)	10,174	11,577	782	12,359
						0
Revised Balance at 31 March 2025 carried forward	(13,914)	(5,410)	(9,525)	(28,849)	(15,469)	(44,318)
Movement in reserves during 2025/2026						
Total Comprehensive Income and Expenditure	(5,436)	0	0	(5,436)	(1,736)	(7,172)
Adjustments between accounting basis & funding basis under regulations (note 13)	5,480	1,307	(3,166)	3,621	(3,621)	0
Net (Increase)/Decrease before Transfers	44	1,307	(3,166)	(1,815)	(5,357)	(7,172)
Balance at 31 March 2026 carried forward	(13,870)	(4,103)	(12,691)	(30,664)	(20,826)	(51,490)

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 2026.

	NOTES	31 March 2026		Original 31 March 2025	Prior year adjustment (see note 27)	Revised closing 31 March 2025
		£000	£000	£000	£000	£000
Property, Plant and Equipment	14	73,061		80,536	(3,734)	76,802
Investment Properties	20	53,400		95,960	2,195	98,155
Intangible Assets	21	27		36		36
Long Term Debtors		93		78		78
Long Term Assets			126,581	176,610	(1,539)	175,071
Current Assets						
Short Term Debtors	22	20,041		17,779		17,779
Cash and Cash Equivalents	23	7,228		7,287		7,287
Short Term Investments		60,000		15,000		15,000
Assets held for Sale	14a	8,069		1,037		1,037
Current Assets			95,338	41,103	0	41,103
Current Liabilities						
Cash and Cash Equivalents	23	(905)		0		0
Short Term Creditors	24	(16,776)		(17,881)	(13)	(17,894)
Short Term Borrowing	28	(2,693)		(2,658)		(2,658)
Provisions	25	(847)		(492)		(492)
Current Liabilities			(21,221)	(21,031)	(13)	(21,044)
Long Term Liabilities						
Capital Grants receipts in advance	36	(25,197)		(24,587)		(24,587)
Long Term Borrowing	28	(112,400)		(114,444)		(114,444)
Other Long Term Liabilities		(410)		(407)		(407)
Finance Lease	27	(9,533)		(5,033)	(4,527)	(9,560)
Pension Fund Liability	41	(1,668)		(1,814)		(1,814)
Provisions				0		0
Long Term Liabilities			(149,208)	(146,285)	(4,527)	(150,812)
Net Assets			51,490	50,397	(6,079)	44,318
Financed by						
Usable Reserves	29	(30,664)		(28,849)	0	(28,849)
Unusable Reserves	31	(20,826)		(21,548)	6,079	(15,469)
Total Reserves			(51,490)	(50,397)	6,079	(44,318)

Matthew Tiller
Chief Finance Officer
Date 29th June 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	2025/2026 £000	2024/2025 £000
Net (surplus) or deficit on the provision of services		(5,436)	18,980
Adjustments to net surplus or deficit on the provision of services for non-cash movements	41	2,892	(13,515)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	40	1,641	1,225
Net cash flows from Operating Activities		(903)	6,690
Investing Activities	38	43,515	(6,404)
Borrowing Activities	39	(41,648)	2,563
Net decrease or (increase) in cash and cash equivalents		964	2,849
Cash and cash equivalents at the beginning of the reporting period		7,287	10,136
Cash and cash equivalents at the end of the reporting period		6,323	7,287

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.

	2025/2026			2024/2025		
	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	1,041	32	1,073	1,053	5	1,058
Community	1,274	(16)	1,258	1,419	4	1,423
District Team	(1,183)	126	(1,057)	(1,154)	44	(1,110)
Environmental Health	790	(30)	760	838	16	854
Licensing	108	(9)	99	143	0	143
Housing	18	(17)	1	29	2	31
Operations						
Planning	1,177	(3,248)	(2,071)	1,882	10,655	12,537
Building Control	21	(9)	12	87	8	95
Property & Facilities	1,800	996	2,796	1,368	777	2,145
Climate and Environment	176	(4)	172	148	1	149
Regeneration and Economy	576	(13)	563	619	(1)	618
Leisure	(2,193)	189	(2,004)	(1,368)	890	(478)
Waste Services	6,074	9	6,083	5,438	22	5,460
Commercial Services		0	0	26	0	26
Corporate Services						
Communications, Policy, Strategy & Insight	404	(11)	393	459	1	460
Project and Programme Management	346	(7)	339	382	(1)	381
Organisational Development	494	(15)	479	569	4	573
IT/Digital	2,111	110	2,221	1,929	812	2,741
GIS / Land Charges	48	(19)	29	(4)	6	2
Legal Services	721	(10)	711	882	3	885
Democratic Services	785	(10)	775	754	4	758
Elections	253	(6)	247	190	1	191
Strategic Board	985	(24)	961	1,296	17	1,313
Finance						
Finance	897	(23)	874	828	8	836
Corporate Finance	938	4	942	1,667	1	1,668
Revenue & Benefits	873	(26)	847	597	5	602
Other Operating I&E	473	0	473	62	0	62
Net Cost of Service General Fund	19,007	(2,031)	16,976	20,139	13,284	33,423
Other Income & Expenditure	1,191	(1,191)	0	1,601	(1,702)	(101)
Movement in Earmark Reserves	(179)	179	0	(337)	209	(128)
Net Cost of Service	20,019	(3,043)	16,976	21,403	11,791	33,194
Other Operating Expenditure	5,631	(8,999)	(3,368)	5,218	180	5,398
Financing and Investment Income and Expenditure	(5,464)	6,667	1,203	(5,632)	6,719	1,087
Taxation and non-specific grant income	(20,480)	233	(20,247)	(20,672)	(27)	(20,699)
(Surplus)/ Deficit	(294)	(5,142)	(5,436)	317	18,663	18,980
Balance Summary						
Opening General Fund Balance at 1 April	(3,485)			(3,802)		
Adjustment						
Add (Surplus)/ Deficit on General Fund Balances in Year	(294)			317		
Closing General Fund Balance at 31 March	(3,779)			(3,485)		
Analysed between type of balance	General Fund	Earmarked Reserves		Total Balances		
Opening Balance at 1 April 2024	(3,802)	(12,110)		(15,912)		
Add (Surplus)/ Deficit in year 2024/2025	317	1,680		1,997		
Transfer between reserves				-		
Closing Balance at 31 March 2025	(3,485)	(10,430)		(13,915)		
Adjustment				-		
Add (Surplus)/Deficit in year 2025/2026	(294)	339		45		
Closing balances at 31 March 2026	(3,779)	(10,091)		(13,870)		

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

EXPLANATORY NOTES

Notes to the Core Financial Statements

Introduction to the Explanatory Notes

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 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 2025/26 budget was £0.294 million which was a transfer to 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

	2025/2026 £000	2024/2025 £000
Expenditure		
Employee expenses	16,094	17,332
Other Services expenses	27,183	44,829
Depreciation, amortisation and impairment	2,461	1,668
Interest payments	3,307	2,755
Precept and levies	5,631	5,218
Movements in the market value of Investment Properties	6,258	6,431
Loss on disposal of assets		180
Total Expenditure	60,935	78,413
Income		
Fees, charges and other service income	(20,161)	(19,303)
Interest and investment income	(1,666)	(1,530)
Movements in the market value of Investment Properties		0
Income from Council Tax and Business Rates	(22,594)	(20,151)
Grants and contributions	(11,882)	(18,449)
Gain on disposal of assets	(10,068)	0
Total Income	(66,371)	(59,433)
(Surplus)/Deficit on the Provision of Services	(5,436)	18,980

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 2025/26 or 2024/25.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 5 Other Operating Expenditure

	2025/2026	2024/2025
	£000	£000
Parish council precepts	5,631	5,218
(Gains)/losses on the disposal of non-current assets	(8,999)	180
Total	(3,368)	5,398

Note 6 Financing and Investment Income and Expenditure

	2025/2026	2024/2025
	£000	£000
Income & Expenditure in relation to investment properties	(6,789)	(6,858)
Interest payable and similar charges	3,307	2,755
Interest and investment income	(1,666)	(1,530)
Pension Interest Costs and expected return on pension assets	92	288
Movements in the market value of Investment Properties	6,258	6,431
Total	1,203	1,087

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.

	2025/2026	2024/2025
	£000	£000
Council Tax Transfer	(13,655)	(12,863)
Collection Fund Deficit/ (Surplus)	(84)	(26)
Adjustment for statutory requirements	233	
Council Tax Income	(13,506)	(12,889)
General Government Grants	(2,856)	(3,031)
General Government Grants (S31 business rates)	(17,129)	(13,255)
Business Rates Retention Scheme	13,244	8,476
Total	(20,247)	(20,699)

Note 8 Members' Allowances

The Council paid the following amounts to Members of the Council.

	2025/2026	2024/2025
	£000	£000
Allowances	502	458
Expenses	7	3
Total	509	461

EXPLANATORY NOTES

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 £	2025/2026 No. Employees	2024/2025 No. Employees
50,000-54,999	17	12
55,000-59,999	12	12
60,000-64,999	16	19
65,000-69,999	5	7
70,000-74,999	7	5
75,000-79,999	1	4
80,000-84,999	4	2
85,000-89,999	2	2
90,000-94,999	2	1
95,000-99,999	2	0
100,000-104,999	0	3
105,000-109,999	0	1
110,000-114,999	3	0
115,000-119,999	0	0
120,000-124,999	1	0
125,000-129,999	1	1
130,000-134,999	0	0
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	1	1
150,000-154,999	0	1
155,000-159,999	0	1
TOTAL	74	73

Notes:

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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)

2025/2026 Post Holder	Salary (including fees and allowances) £	Additional Payments £	Total Remuneration excluding pension contributions 2025/2026 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2025/2026 £
Chief Executive	149,799	0	149,799	26,365	176,164
Executive Director for Corporate Services & Monitoring Officer	129,666	0	129,666	22,821	152,487
Executive Director for Communities	123,769	0	123,769	21,783	145,552
Executive Director for Operations	114,486	0	114,486	20,150	134,636
Chief Finance Officer	93,634	0	93,634	16,480	110,114
Special Projects (left 30th June 2025)	30,187	82,390	112,577	5,313	117,890
	641,541	82,390	723,931	112,912	836,843

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)

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

*Role covered by a temporary contractor from December 2023

*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

EXPLANATORY NOTES

Monitoring Officer role was covered by an agency member of staff until September 2024. The Director of Corporate Governance was vacant until the restructure.

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	
	2025/2026	2024/2025	2025/2026	2024/2025	2025/2026	2024/2025	2025/2026 £000s	2024/2025 £000s
£								
0-20,000	1	9	0	2	1	11	14	87
20,001-40,000	1	6	1	0	2	6	61	190
40,001-60,000	0	5	0	1	0	6	0	309
60,001-80,000	1	1	1	0	2	1	136	78
80,001-100,000	0	3	0	0	0	3	0	286
100,001-150,000	0	1	0	0	0	1	0	106
150,001-200,000	0	0	0	0	0	0	0	0
200,001-250,000	1	0	0	0	1	0	205	0
Total	4	25	2	3	6	28	416	1,056

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.

	2025/2026 £000	2024/2025 £000
External audit services	170	166
Other services (Housing Benefit)	31	42
Total	201	208

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 2025/26 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 Officers were Directors until June 2025 and 1 until the end 31st March 2026 for East Hampshire Norse Ltd overseeing £7.0 million but were not recompensed for their services from the company.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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

	2024/2025			
	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	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
Operations				0
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
Corporate Services				0
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
Finance				0
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

	2025/2026			
	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	37	(7)	2	32
Community	0	(17)	1	(16)
District Team	164	(38)	0	126
Environmental Health	1	(25)	(6)	(30)
Licensing	0	(9)	1	(9)
Housing	0	(19)	2	(17)
Operations				
Planning	(3,166)	(85)	2	(3,248)
Building Control	6	(13)	(4)	(9)
Property & Facilities	1,009	(14)	2	996
Climate and Environment	0	(3)	0	(4)
Regeneration and Economy	0	(15)	2	(13)
Leisure	190	(2)	1	189
Waste Services	20	(13)	2	9
Commercial Services				0
Corporate Services				
Communications, Policy, Strategy & Insight	0	(11)	1	(11)
Project and Programme Management	0	(9)	2	(7)
Organisational Development	0	(10)	(5)	(15)
IT/Digital	110	(15)	16	110
GIS / Land Charges	0	(18)	(1)	(19)
Legal Services	0	(14)	4	(10)
Democratic Services	0	(7)	(3)	(10)
Elections	0	(5)	(2)	(6)
Strategic Board	0	(26)	2	(24)
Finance				
Finance	0	(24)	1	(23)
Corporate Finance	0	0	0	4
Revenue & Benefits	0	(29)	3	(26)
Other Operating I&E				(1,012)
Net Cost of Service	(1,629)	(428)	23	(3,043)
Other operating Expenditure	(8,999)			(8,999)
Financing and Investment Income and Expenditure	6,564	90	0	6,667
Taxation and non-specific grant income			233	233
(Surplus)/ Deficit	(4,064)	(338)	256	(5,142)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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.

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
Drawdown of earmarked reserves	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

Reserves 2025/2026	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	(1,175)			1,175
Charges for impairment/ revaluations of plant, property and equipment	(1,278)			1,278
Movements in the market value of Investment Properties	(6,258)			6,258
Amortisation of intangible assets	(9)			9
Use of the Capital Grants to finance capital expenditure				0
Revenue expenditure funded from capital under statute	1,851			(1,851)
REFCUS income	(1,851)			1,851
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	9,311	(44,265)		34,954
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	1,179			(1,179)
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	3,166		(3,166)	0
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(294)	569		(275)
Capital receipt applied to reduce capital financing requirement		45,003		(45,003)
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	757			(757)
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)	336			(336)
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	(412)			412
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	179			(179)
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	(22)			22
Total Adjustments	5,480	1,307	(3,166)	(3,621)

EXPLANATORY NOTES

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 2024	77,096	755	1,293	265	0	950	80,359
Opening Balance prior year adjustments (see note 27)	(2,881)						(2,881)
Additions	298						298
Derecognition - Disposals	(390)	(77)					(467)
Impairment losses							0
Revaluation adjustment	1,545					292	1,837
Category Adjustments	62					(62)	0
In year relating to PY adjustment (see note 27)	(855)						(855)
Restated Book value at 31 March 2025	74,875	678	1,293	265	0	1,180	78,291
Depreciation and Impairments							
Opening Balance 1 April 2024	(610)	(652)	0	(30)	0	(28)	(1,320)
Opening Balance adjustments							0
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
Restated Depreciation At 31 March 2025	(859)	(596)	0	(33)	0	(1)	(1,489)
Net Book Value at 31 March 2025	74,016	82	1,293	232	0	1,179	76,802

	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 2025	74,875	678	1,293	265	0	1,180	78,291
Opening Balance adjustments							0
Additions	12						12
Derecognition - Disposals	(177)						(177)
Impairment losses	(1,109)						(1,109)
Revaluation adjustment	411			109		(560)	(40)
Category Adjustments	(2,803)					(275)	(3,078)
At 31 March 2026	71,209	678	1,293	374	0	345	73,899
Depreciation and Impairments							
Opening Balance 1 April 2025	(859)	(596)	0	(33)	0	(1)	(1,489)
Depreciation	(1,151)	(21)		(3)			(1,175)
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	1,839						1,839
Category Adjustments & other movements	(40)					27	(13)
Revaluation adjustment							0
At 31 March 2026	(211)	(617)	0	(36)	0	26	(838)
Net Book Value at 31 March 2026	70,998	61	1,293	338	0	371	73,061

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 2025/26

	2025/2026	2024/2025
	£000	£000
Balance at 1st April	1,037	1,496
Assets newly qualified as held for sale; PPE	3,096	0
Assets newly qualified as held for sale: Investment Portfolio	4,985	0
Assets declassified as held for sale	0	0
Assets sold	(1,049)	(459)
Balance at 31st March	8,069	1,037

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.

EXPLANATORY NOTES

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 2026		31 March 2025
	£000	£000	£000
Opening Capital Financing Requirement (see below)		159,678	156,541
Prior year adjustment (see note 27)			4,541
Capital Investment			
Plant Property & equipment Assets	275		418
Investment Properties			
Intangible assets			
Revenue Expenditure Funded from Capital under Statute	1,851		2,206
		2,126	2,624
Sources of Finance			
Capital receipt applied to reduce capital financing requirement	(45,003)		0
Grants & Contributions toward REFCUS	(1,863)		(2,505)
Capital Receipts			0
Sums set aside from revenue & reserves	(263)		(119)
Repayment of capital long term assets			
Minimum Revenue Provision	(1,179)		(1,404)
		(48,308)	(4,028)
Closing Capital Financing Requirement		113,496	159,678
Explanation of Movements in the Year			
Increase / (decrease) in underlying need to borrow		(46,182)	3,137
Increase / (decrease) in Capital Financing Requirement		(46,182)	3,137

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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, Carter Jonas, Chartered Surveyors. Note, 2 assets were valued by other parties as a result and link to the disposal process of these.

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

The assets revalued during 2025/26 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. Where applicable, assets have been indexed based on the appropriate indices on the advice of our external valuers

The Council is not aware of any material change in the value of the remaining assets that were not revalued in 2025/26.

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		678	1,293				1,971
Valued at current value in:							0
2025/26	41,754			259		345	42,358
2024/25	4,748						4,748
2023/24	11,644						11,644
2022/23	6,939			111			7,050
2021/22	5,812						5,812
2020/21	312			4			316
Gross Value at 31 March 2026	71,209	678	1,293	374	0	345	73,899

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 2026.

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.

EXPLANATORY NOTES

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.

	2025/2026	2024/2025
	£000	£000
Rental income from investment property	(8,214)	(8,959)
Direct operating expenses arising from Investment property	1,425	2,101
Net (gain)/loss from fair value adjustments	6,258	6,311
Net (Gain)/ Loss	(531)	(547)

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:

	2025/2026	2024/2025
	£000	£000
Balance at start of the year	98,155	102,271
Opening prior year adjustment (see note 27)		2,195
Additions: Subsequent expenditure	263	120
Disposals	(33,775)	
Gains from fair value adjustments		
Losses from fair value adjustments	(6,258)	(6,431)
Impairments losses		
Transfers (to)/from Property, Plant and Equipment		0
Transfers (to)/from Asset Held for Sale	(4,985)	0
Balance at end of the year	53,400	98,155

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.

	2025/2026 Purchased Software Licences £000	2024/2025 Purchased Software Licences £000
Gross carrying amounts	341	503
Accumulated amortisation	(304)	(295)
Net Carrying amount	37	208
Additions		
Amortisation for the period	(9)	(9)
Disposals		(162)
Category Adjustments		
Net carrying amount at end of year	28	37
Comprising:		
Gross carrying amounts	341	341
Accumulated amortisation	(313)	(304)
	28	37

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.

	2025/2026 £000	2024/2025 £000
Other Local Authorities	0	0
Government Departments	9,044	10,245
Other entities & individuals:	0	
Share of Business Rates and Council Tax	927	774
Housing Benefit Overpayments	850	774
All other bodies	7,933	6,437
Payments in Advance	2,748	1,636
Total Short Term Debtors	21,502	19,866
Less: Allowance for expected credit losses		
General Fund debtors	(1,151)	(1,083)
Housing Benefit Overpayments	0	(717)
Council Tax arrears	(182)	(148)
Business Rates Arrears	(128)	(139)
Total Allowance for expcted credit losses	(1,461)	(2,087)
Net Debtors	20,041	17,779

Note 23 Cash and Cash Equivalents

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

	2025/2026 £000	2024/2025 £000
Cash in hand	0	0
Call accounts	7,230	6,938
Bank Balances	(905)	349
	6,325	7,287

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 2026 but not paid for at that date.

	2025/2026 £000	2024/2025 £000
Other Local Authorities	(1,842)	(3,832)
Government Departments	(2,019)	(4,176)
Government Departments - Covid Business grants	(286)	(286)
All other bodies	(7,967)	(6,318)
All other bodies (PY adjustment)		(13)
Receipts in Advance	(4,395)	(3,023)
Accumulated Absences	(267)	(246)
Total Short Term Creditors	(16,776)	(17,894)

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
- 2) A provision to cover NNDR as part of the collection fund, £663,689.

Note 26 Income from Grants and Contributions

	2025/2026 £000	2024/2025 £000
Credited to Taxation and Non Specific Grant Income		
New Homes Bonus	(260)	(234)
Government Grants	(2,595)	(2,797)
Business Rates Retention Scheme	(17,129)	(13,255)
Total	(19,984)	(16,286)
Credited to Services		
Housing Benefit	(11,723)	(15,293)
Benefits Administration Grant	(177)	(167)
Other Grants and Contributions	(2,404)	(2,316)
Total	(14,304)	(17,776)
Total Grants, Contributions & Donations	(34,288)	(34,062)

EXPLANATORY NOTES

Note 27 Leases

Prior Year Adjustments

Changes resulting from the Implementation of IFRS16 at East Hampshire District Council

The Council has enacted changes arising from the implementation of IFRS16. These changes are clearly shown as prior year adjustments throughout the statement of accounts. The adjustments reflect changes in the overall leasing requirements of the Council taking into account future year costs. The adjustments affect the opening balance sheet at 31 March 2025, but do not change the Council's overall usable reserves.

The most notable changes are to three Authority assets.

Woolmer Industrial Estate, Bordon - Investment Property

EHDC is the freeholder of the Industrial Estate.

Approximately half of the Estate operates under a 99 year headlease whereby the Authority pays a rental for the lease of the land and buildings which it sublets to individual tenants generating income for the Authority.

Both the liability associated with the headlease and the asset value associated with the income stream have been remeasured.

The remeasurement of the liability fully reflects the forward known commitment of the Authority to fund the headlease for the next 55 years. The liability will be recalculated periodically when rent reviews occur and the value of future payments is confirmed.

The asset has also been recalculated in line with IFRS16 RICS guidance to reflect the income generation capability to which the liability relates.

The impact of these changes is an increase in the liability of £4.4 million and an increase in the asset of £2.2 million.

Leisure Centres at Alton and Petersfield - Operational Assets

The Alton and Taro Leisure Centres have been revalued following the introduction of IFRS16. The reason these assets are impacted is because the land on which the leisure centres are sited is either leased or part-leased.

As these assets are valued on a DRC (Depreciated replacement cost) basis, the leased status of the land impacts the valuation.

The impact of these changes across the two assets is a valuation decrease of £2.9 million as at 1st April 2024.

Additional Notes

The rationale for the change in the Leisure Centre values is embedded in the DRC asset valuation technique. A DRC valuation focuses on the rebuild cost of the asset. Consequently, the Valuer cannot assume peppercorn or below market rate rents to lease alternate land sites on which to site the equivalent rebuilt asset. Hence, the valuation introduces a proxy ground rental cost which impacts the asset value.

There are a number of less material asset and liability changes resulting from the implementation of IFRS16 listed below for completeness:

A leased car park in Four Marks was identified and added to the Authority's asset base; a peppercorn lease valued at £12,000

Two further known lease liabilities were found to be above the £10,000 low value threshold and have been included in the Authority's lease liabilities. These additional liabilities total £141,000 at 1st April 2024.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Some other leases were identified which fell within the short term (less than a year) or low value (£10,000) thresholds and these have been disclosed in the notes to the accounts.

Authority as Lessee

From 1 April 2024, East Hampshire District Council has applied IFRS 16 Leases as adopted by the CIPFA Code of Practice on Local Authority Accounting. The new accounting standard requires that the rights to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition.

At the commencement of a lease, a liability is recognised for the obligation to make future payments (discounted to their present value using the interest rate implicit in the lease or (where this is not readily determinable) EHDC's incremental borrowing rate. The right acquired under the lease to use the leased item is recognised as an asset.

Liabilities are recalculated where rents change as a result of a change in an index or rate used to determine future payments. Adjustments to liabilities are matched with adjustments to the cost of the right-of-use asset.

- 1) a charge for the acquisition of the right to use the asset which is applied to write down the lease liability
- 2) a finance charge which is debited to the Financing and Investment Income & Expenditure line in the CIES

Right-of-use assets recognised under leases are accounted for using the policies applied generally to Property, Plant and Equipment assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. This will include valuation where the cost model does not provide a reliable proxy for the current value of the right-of-use asset. Local Authorities are not required to use council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Therefore, the Minimum Revenue Provision arrangements also apply to leased assets.

Where leases are for items of low value, or the lease term is less than 12 months, amounts paid under the lease are charged to the CIES as an expense of the services benefitting from use of the leased item. For this purpose, EHDC has determined that items with a value of less than £10k on a present value basis.

The Authority as Lessee notes below contain a full analysis of all leasing activity but a single arrangement relating to a property held at the Woolmer trading estate in Bordon is the most significant asset and liability within the portfolio by a considerable margin.

Right of Use Assets

This table shows the change in value of right of use assets held under leases by the authority

Right of Use assets	2025/2026			2024/2025		
	Land and Buildings	Investment Property	Total	Land and Buildings	Investment Property	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April	29,582	2,250	31,832	29,585	2,250	31,835
Additions	12	0	12	298	0	298
Revaluations	423	0	423	125	0	125
Depreciation and amortisation	(433)	0	(433)	(426)	0	(426)
Disposals	0	0	-	0	0	0
Balance at 31st March	29,584	2,250	31,834	29,582	2,250	31,832

EXPLANATORY NOTES

Transactions under Leases

The authority incurred the following expenses and cash flows in relation to leases

Transactions under leases	2025/2026 £'000	2024/2025 £'000
Interest expense on lease liabilities	589	591
Expense relating to short-term leases	17	17
Expense relating to exempt leases of low-value items	13	13
Variable lease payments not included in the measurement of lease liabilities	-	-
Income from subletting right of use assets	726	718
Gains or losses arising from sale and leaseback transactions	-	-
Total	1,345	1,339

Expenses for short-term leases where period of arrangement is for less than one month are not disclosed

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands, measured both at the undiscounted amounts of expected cash payments as per the CIPFA Code of Practice, and at the discounted amounts as this is the basis for the lease liabilities on the Balance Sheet. The reason for the large variance between the discounted and undiscounted liabilities is owing to the lease length where the Woolmer Phase 1 asset has a term remaining of 55 years with an undiscounted liability of £32.4 million at 31st March 2026.

Maturity of Lease Liability	2025/2026		2024/2025		2023/2024	
	Discounted £'000	Undiscounted £'000	Discounted £'000	Undiscounted £'000	Discounted £'000	Undiscounted £'000
Less than 1 Year	(27)	(615)	(26)	(615)	(24)	(615)
1 to 5 Years	(127)	(2,460)	(120)	(2,460)	(113)	(2,460)
More than 5 years	(9,406)	(29,947)	(9,440)	(30,562)	(9,473)	(31,177)
Total undiscounted liabilities	(9,560)	(33,022)	(9,586)	(33,637)	(9,610)	(34,252)

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 and replaced by a long-term debtor in the Balance Sheet

The Authority held no Finance Leases in 2024/25 or 2025/26

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 recognised in the Comprehensive Income and Expenditure statement

Transactions under Leases

The Authority made the following gains and losses as a lessor during the year:

Transactions under leases	2025/2026 £'000	2024/2025 £'000
Operating Leases	8,576	9,314
	8,576	9,314

Maturity analysis of lease receivables

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts)

Maturity analysis of lease receivables	2025/2026 £'000	2024/2025 £'000
Less than 1 Year	5,409	8,916
1 to 5 Years	10,703	22,685
More than 5 years	6,544	8,329
Total	22,656	39,930

EXPLANATORY NOTES

Note 28 Borrowing

An analysis of loans by maturity is as follows:

	2025/2026	2024/2025
	£000	£000
Short Term Borrowing		
Maturing within 1 year Temporary Loans	0	0
Maturing within 1 year Long Term Borrowing	(2,693)	(2,658)
	(2,693)	(2,658)
Long Term Borrowing		
Maturing in 1 to 2 years	(2,092)	(2,044)
Maturing in 2 to 5 years	(31,580)	(31,098)
Maturing in 5 to 10 years	(37,050)	(36,733)
Maturing in more than 10 years	(41,678)	(44,568)
Total Maturing after 1 year	(112,400)	(114,443)
Total Borrowing	(115,093)	(117,101)

The total borrowing can be further analysed by lender category:

	2025/2026	2024/2025
	£000	£000
Temporary Loans	0	0
Long Term Loans:		
Public Works Loans Board	(115,093)	(117,101)
Money Market	0	0
	(115,093)	(117,101)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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	2025/2026 £000	2024/2025 £000
General Fund		(3,778)	(3,485)
Earmarked Reserves	30	(10,091)	(10,429)
General Fund balance per Movement in Reserves Statement		(13,869)	(13,914)
Closing General fund per Expenditure & Funding Statement		(13,869)	(13,914)
Other Usable Reserves			
Usable Capital Receipts Reserve		(4,104)	(5,410)
Capital Grants and Contributions		(12,691)	(9,525)
Unapplied Account			
Total Usable Reserves		(30,664)	(28,849)

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 2025/26 and 2024/25.

Earmarked Reserves	2023/2024 £000	Movement £000	2024/2025 £000	Movement £000	2025/2026 £000
Asset Management Fund	(1,081)	0	(1,081)	0	(1,081)
Externally Funded Reserve	(401)	0	(401)	0	(401)
Corporate Planning Reserve	(1,105)	970	(135)	0	(135)
Service Management Reserve	(1,107)	442	(665)	0	(665)
Financial Stability Reserve	(491)	(1,698)	(2,189)	(362)	(2,551)
Welfare Fund Reserve	(1,497)	180	(1,317)	(100)	(1,417)
Community Grant Fund Reserve	(574)	278	(296)	184	(112)
Property Financial Resilience Reserve	(1,700)	380	(1,320)	449	(871)
Environmental Initiatives Reserve	(422)	128	(294)	64	(230)
Pensions Resilience Reserve	(1,690)	473	(1,217)	0	(1,217)
Digital Strategy Reserve	(749)	533	(216)	110	(106)
S31 Business Rates Reserve	(24)	0	(24)	0	(24)
Insurance Reserve	(300)	0	(300)	0	(300)
Housing Reserve	(719)	(6)	(725)	(6)	(731)
Environmental Services Reserve	(250)	0	(250)	0	(250)
Total	(12,110)	1,680	(10,430)	339	(10,091)

EXPLANATORY NOTES

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	2025/2026	Original 31 March 2025
		£000	£000
Revaluation Reserve	32	(32,557)	(33,985)
Capital Adjustment Account	33	11,496	11,554
Deferred capital receipts		(757)	0
Pensions Reserve	34	1,668	1,814
Collection Fund Adjustment Account	35	(943)	(1,177)
Accumulated Absences Account		267	246
Total Unusable Reserves		(20,826)	(21,548)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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	2025/2026 £000	2024/2025 £000
Balance at 1 April	(31,270)	(31,800)
Prior year adjustment (see note 27)		2,102
Revised Opening Balance at 1 April	(31,270)	(29,698)
Upward revaluation of assets	(1,926)	(2,942)
Downward revaluations of not charged to surplus/ deficit on the provision of services		
Impairment reversals to the Revaluation reserve (see note 27)		613
Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services	(33,196)	(32,027)
Difference between fair value depreciation and historic cost depreciation	639	757
Accumulated gains on assets sold or scrapped		
Balance at 31 March	(32,557)	(31,270)

EXPLANATORY NOTES

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

	2025/2026 £000	2024/2025 £000
Opening balance at 1 April	14,918	5,330
Prior Year adjustment (see note 27)		3,146
Revised Opening Balance 1 April	14,918	8,476
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account		
- charges for depreciation of non-current assets	1,175	1,659
- charges for impairment/revaluations of plant, property and equipment	1,113	0
- (gains)/losses in fair value on Investment properties	6,258	6,431
- amortisation of intangible assets	9	9
- revenue expenditure funded from capital under statute	1,851	2,206
- disposals	35,131	704
Prior Year adjustment (see note 27)		218
	45,537	11,227
Adjusting amounts written out of Revaluation Reserve	(639)	(757)
Net written out amount of the cost of non-current assets consumed in the year	44,898	10,470
Capital financing applied in the year		
-Use of capital receipts reserve to finance new capital expenditure	(275)	(418)
- revenue expenditure funded from capital under statute	(1,851)	(2,206)
-application of capital grants	0	0
-statutory provision for the financing of capital investment charged against the general fund	(1,191)	(1,404)
-Capital receipt applied to reduce capital financing requirement	(45,003)	0
Balance at 31 March	11,496	14,918

Note 34 Pension Reserve

	2025/2026 £000	2024/2025 £000
Pensions Reserve		
Balance at 1 April	1,814	5,968
Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability	190	(4,509)
Accounting/Financing Adjustments		
Difference between accounting and statutory credit for pension costs depreciation	(336)	355
Balance at 31 March	1,668	1,814

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Note 35 Collection Fund Adjustment Account

Collection Fund Adjustment Account	2025/2026 £000	2024/2025 £000
Balance at 1 April	(1,179)	(1,022)
Prior year adjustment to match NNDR 3		
Difference between accounting and statutory credit for Council Tax	413	(2)
Difference between accounting and statutory credit for Non-Domestic Rates	(179)	(155)
Balance at 31 March	(945)	(1,179)

Note 36 Capital Grants Receipts in Advance

	2025/2026 £000	2024/2025 £000
Amounts falling due after one year (all other bodies)		
S106	(19,653)	(19,761)
Other	(5,544)	(4,826)
	(25,197)	(24,587)

EXPLANATORY NOTES

Note 37 Financial Instruments

Categories of Financial Instruments

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

Financial Assets	31 March 2026		31 March 2025	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	0	0	0	0
Financial assets at amortised Cost	71	71	78	78
Long term Assets	71	71	78	78
Short Term Debtors	707	707	423	423
Trade accounts receivable	2,685	2,685	2,498	2,498
Bank deposits less than 3 months	6,325	6,325	7,287	7,287
Cash and bank accounts	0	0	0	0
Short Term Investments	60,000	60,000	15,000	15,000
Other financial assets at amortised cost	69,717	69,717	25,208	25,208
Total Financial Assets	69,788	69,788	25,286	25,286

Financial Liabilities	31 March 2026		31 March 2025		Revised		Prior Year	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Prior Year Adjustment £000	Carrying Amount £000	Fair Value £000	Adjustment £000	Revised Fair Value £000
Short Term Creditors	(4,716)	(4,716)	(5,048)	0	(5,048)	(5,048)	0	(5,048)
Public Works Loan Board	(2,693)	(2,905)	(2,658)	0	(2,658)	(2,874)	0	(2,874)
Finance Lease	(27)	(27)	(13)	(13)	(26)	(13)	(13)	(26)
Short Term Financial liabilities at amortised cost	(7,436)	(7,648)	(7,719)	(13)	(7,732)	(7,935)	(13)	(7,948)
Public Works Loan Board	(112,400)	(87,511)	(114,443)	0	(114,443)	(88,956)	0	(88,956)
Finance Lease	(9,533)	(9,533)	(5,033)	(4,527)	(9,560)	(5,033)	(4,527)	(9,560)
LongTerm Liabilities at amortised cost	(121,933)	(97,044)	(119,476)	(4,527)	(124,003)	(93,989)	(4,527)	(98,516)
Total Financial Liabilities	(129,369)	(104,692)	(127,195)	(4,540)	(131,735)	(101,924)	(4,540)	(106,464)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

NOTES RELATING TO CASH FLOW STATEMENT

Note 38 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2025/2026 £000	2024/2025 £000
Purchase of Property, plant and equipment, investment property and intangible assets	275	418
Investments - Matured short term investments	(15,000)	(20,000)
Investments - New short term investments	60,000	15,000
Use of Capital Financing		2,206
Use of Capital Receipts	(1,466)	(4,028)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		
Other receipts from investing activities	(294)	0
Net cash flows from investing activities	43,515	(6,404)

Note 39 Cash Flow Investing Activities

	2025/2026 £000	2024/2025 £000
Cash Receipts of short and long term borrowing	(41,648)	2,563
Net cash flows from Borrowing activities	(41,648)	2,563

Note 40 Cash Flow Financing Activities

	2025/2026 £000	2024/2025 £000
Interest Received	(1,666)	(1,530)
Interest Payable	3,307	2,755
Net cash flow from Financing Activities	1,641	1,225

Note 41 Cash Flow Other Adjustments

	2025/2026 £000	2024/2025 £000
Debtors	2,277	(742)
Creditors	1,102	7,117
Provisions	(355)	(36)
Accumulated Absences	21	32
Capital Receipts in Advance	(610)	(11,170)
Earmarked Reserves	338	1,681
Collection Fund	233	(155)
General Fund	1,527	(9,017)
Interest	(1,641)	(1,225)
Net cash flows from Other Adjustments	2,892	(13,515)

EXPLANATORY NOTES

Note 42

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 2026.

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 2026. 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 2026 and 2025 are as follows:

Local Government Pension Scheme	31 March 2026	31 March 2025
	£000	£000
Fair Value of Employer Assets	118,468	114,139
Present Value of Funded Liabilities	(105,005)	(102,063)
Net (Under)/Overfunding in Funded Plans	13,463	12,076
Effect of asset ceiling	(13,463)	(13,890)
Present value of Unfunded Liabilities	(1,668)	0
Net Asset/(Liability)	(1,668)	(1,814)
Amount on balance sheet		
Asset	118,468	114,139
Liability	(120,136)	(115,953)
Liability Amount in Balance Sheet	(1,668)	(1,814)

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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

	Period ended 31 March 2026			Period ended 31 March 2025		
	Assets		Net	Assets		Net
	Obligations	Liabilities	(liability)/	Obligations	Liabilities	(liability)/
	£000	£000	£000	£000	£000	£000
Fair value of employer assets			0			0
Present value of funded liabilities	114,139		114,139	110,915		110,915
Present value of unfunded liabilities		(115,953)	(115,953)		(116,883)	(116,883)
Opening Position	114,139	(115,953)	(1,814)	110,915	(116,883)	(5,968)
Service cost						
Current service cost		(1,429)	(1,429)		(2,128)	(2,128)
Past service cost (including curtailments)		(471)	(471)		(309)	(309)
Effect of settlements		0	0		0	0
Total service cost	0	(1,900)	(1,900)	0	(2,437)	(2,437)
Net interest						
Interest income on plan assets	6,569		6,569	5,288		5,288
Interest cost on defined benefit obligation		(5,856)	(5,856)		(5,576)	(5,576)
Impact of asset ceiling on net interest		0	0		0	0
Total net interest	6,569	(5,856)	713	5,288	(5,576)	(288)
Total defined benefit cost recognised in Profit or (Loss)	6,569	(7,756)	(1,187)	5,288	(8,013)	(2,725)
Cash flows						
Plan participants' contributions	785	(785)	0	825	(825)	0
Employer contributions	2,136		2,136	2,177		2,177
Contributions in respect of unfunded benefits	192		192		193	193
Benefits paid	(4,709)	4,709	0	(4,346)	4,346	0
Unfunded benefits paid	(192)	192	0			0
Expected closing position	118,920	(119,593)	(673)	114,859	(121,182)	(6,323)
Remeasurements						
Change in demographic assumptions		1,075	1,075		205	205
Change in financial assumptions		3,063	3,063		17,646	17,646
Other experience	(2,407)	(5,108)	(7,515)		1,268	1,268
Return on assets excluding amounts included in net interest	1,955		1,955	(720)		(720)
Changes in the effect of the asset ceiling			1,232			(13,890)
Total remeasurements recognised in Comprehensive Income and Expenditure	(452)	(970)	(190)	(720)	19,119	4,509
Effect of business combination and disposals	0	0	0	0	0	0
Fair value of employer assets	118,468		118,468	114,139		114,139
Present value of funded liabilities		(120,563)	(120,563)		(102,063)	(102,063)
Effect of Asset Ceiling			427			(13,890)
Present value of unfunded liabilities			0			0
Closing position	118,468	(120,563)	(1,668)	114,139	(102,063)	(1,814)

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 2026	31 March 2025
	% per annum	% per annum
Rate of inflation	3.0%	2.8%
Pension Increase Rate	3.0%	2.8%
Salary Increase Rate	4.0%	3.8%
Discount Rate	6.2%	5.8%

EXPLANATORY NOTES

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 2026	31 March 2025
Longevity at 65 for current pensioners:		
Men	22.1	22.0
Women	24.7	24.7
Longevity at 65 for future pensioners:		
Men	22.8	22.5
Women	25.9	25.6

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	27
Deferred members	17
Pensioner members	57
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 2026			31 March 2025		
	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	34.5%	0.0%	34.5%	33.3%	0.0%	37.9%
Government Bonds	15.3%	0.0%	15.3%	14.6%	0.0%	14.5%
Corporate Bonds	4.3%	4.7%	9.0%	4.5%	4.7%	9.9%
Private Equity	0.0%	8.4%	8.4%	0.0%	8.9%	7.9%
Property	0.0%	8.6%	8.6%	0.0%	9.1%	7.5%
Investment Funds	0.0%	11.8%	11.8%	0.0%	11.1%	9.1%
Cash	1.4%	0.0%	1.4%	1.9%	0.0%	0.8%
Others	8.6%	2.4%	10.9%	9.2%	2.6%	12.4%
Totals	64.1%	35.9%	100.0%	63.5%	36.5%	100.0%

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

Projected defined benefit costs for the period to 31 March 2026

The employer contributions for the year to 31 March 2026 was £2.136 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.

EXPLANATORY NOTES

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 requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

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 disclosure spanning 2 financial years.

At the balance sheet date, the following new standards/amendments have been published but have not yet been adopted are;

- Amendments to FRS102 The Financial Reporting Standard applicable to the UK and ROI (amendments to Heritage Assets) issued in March 2024
- Amendments to the Classification and Measurement of Financial Instruments (amendments to IFRS9 and IFRS7) issued in May 2024.
- Annual Improvement to IFRS accounting standards – Volume 11 issued in July 2024
- Contracts Referencing Nature-dependant Electricity (amendment to IFRS9) issued in December 2024

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 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 2026 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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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£5 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 2026, the Council had a balance of short term debtors of £20 million. An allowance for expected credit losses of £1.2 million or around 6% of the debt has been made.

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 29th June 2026.

Note 47 Events after the Balance Sheet Date

The Statement of Accounts were authorised by the Chief Financial Officer on 29th June 2026. 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.

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 provided for no contingent liabilities as at 31st March 2026.

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.)

EXPLANATORY NOTES

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.

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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.

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

EXPLANATORY NOTES

- 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 2028/29 was agreed by Council in February 2026 which showed a balanced budget across a 3-year period, a reduction from 5 years to align with the wider Local Government Reorganisation (LGR) that will affect East Hampshire District Council from 1st April 2028.

The MTFS was built with financial assumptions and identified risks and with the 3 year financial settlement from Central Government. The Council's revenue position remains strong and is underpinned by its Investment Portfolio and its short-term investments (deposits). The Council continues to make and embed changes as part of its Transformation programme.

Our going concern period up to March 2028, forecasts that our overall reserve position will be £10.1 million which is in line with our current reported position. This shows a strong position that we are not forecasting to draw from reserves to fund in year base revenue activities. The additional funding received from the financial settlement is helping the Council deliver its Transformation programme including preparation work on LGR

Our cashflow across the same period is forecasted to remain consistent with 2025/26 with no significant changes.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. 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

EXPLANATORY NOTES

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.

- 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.
- A materiality threshold of £5,000 has been implemented was introduced on the basis that transactions under this value would not have significantly impact to the accounts.

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 12 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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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
- 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 (CIES) 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:

EXPLANATORY NOTES

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- 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 CIES 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 CIES 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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 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

EXPLANATORY NOTES

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.

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:

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

- 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.

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 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.

EXPLANATORY NOTES

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.

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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

- 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.
- 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 Authority as Lessee

From 1 April 2024, EHDC has applied IFRS 16 Leases as adopted by the CIPFA Code of Practice on Local Authority Accounting. The new accounting standard requires that the right to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for their acquisition. Previously this was only done for leases where the Council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

At the commencement of a lease, a liability is recognised for the obligation to make future payments (discounted to their present value using the interest rate implicit in the lease or, where this is not readily determinable, EHDC's incremental borrowing rate). The right acquired under the lease to use the leased item is recognised as an asset, measured at cost based on the lease liability. Initial direct costs of the Council are added to the carrying amount of the asset where these are directly attributable.

Liabilities are recalculated where rents change as a result of a change in an index or rate used to determine future payments. Adjustments to liabilities are matched with adjustments to the cost of the right-of-use asset.

Actual Lease payments are apportioned between a charge for the acquisition of the right to use the asset which is applied to write down the lease liability and a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Right-of-use assets recognised under leases are accounted for using the policies applied generally as per the CIPFA Code of Practice depending on their asset classification. This will include valuation where the cost model does not provide a reliable proxy for the current value of the right-of-use asset. EHDC is not required to use

EXPLANATORY NOTES

council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Therefore, the Minimum Revenue Provision arrangements also apply to leased assets.

Where leases are for items of low value, or the lease term is less than 12 months from commencement, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from the use of the leased item. For this purpose, EHDC has determined that items with a value of less than £10k on a discounted basis are low value.

The Authority as Lessor

Finance Leases

Where the Council 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 and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease. This value then reduces over time as principal repayments are made.

Operating Leases

Where the Council grants an operating lease over a property or item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

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.

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.

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

- 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:

- 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 CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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.

EXPLANATORY NOTES

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 CIES 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.

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

ANNUAL ACCOUNTS – KEY FINANCIAL STATEMENTS

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 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.

EXPLANATORY NOTES

- 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 2025/2026	Council Tax 2025/2026	Total 2025/2026 £000	Non-Domestic Rates 2024/2025	Council Tax 2024/2025	Total 2024/2025 £000
Income						
Council Tax		(119,114)	(119,114)		(112,335)	(112,335)
Non-Domestic Rates	(35,894)		(35,894)	(32,498)		(32,498)
Transferred from General Fund						
Transitional Relief	(164)		(164)	(1,602)		(1,602)
Section 13A relief						0
Total Income	(36,058)	(119,114)	(155,172)	(34,100)	(112,335)	(146,435)
Disbursement						
Precepts and Demands						
- East Hampshire District Council	14,193	13,655		13,598	12,946	
- Hampshire County Council	3,193	85,037		3,060	80,648	
- Police & Crime Commissioner	0	14,551		0	13,753	
- Hampshire Fire Authority	355	4,640		340	4,357	
- Central Government	17,741			16,997		
Share of surplus/(deficit) on Collection Fund			153,365			145,699
- East Hampshire District Council	(519)	497		729	0	
- Hampshire County Council	(117)	3,094		164	0	
- Police & Crime Commissioner	0	528		0	0	
- Hampshire Fire Authority	(13)	167		18	0	
- Central Government	(648)			912		
			2,988			1,824
Cost of collection allowance	159	0		159	0	
Movement in allowance for Bad Debts	92	505		271	611	
Write-offs		0		0	0	
Appeals	887	0		(2,546)	0	
Other transfers to general fund	149	0		127	0	
			1,792			(1,378)
Total Expenditure	35,473	122,673	158,146	33,830	112,315	146,145
Fund (surplus)/deficit for the year	(585)	3,559	2,974	(270)	(20)	(290)
	Non-Domestic Rates	Council Tax	Total	Non-Domestic Rates	Council Tax	Total
Fund balance b/f	1,506	(4,491)	(2,985)	1,776	(4,471)	(2,695)
(Surplus)/deficit for year	(585)	3,559	2,974	(270)	(20)	(290)
Fund balance c/f	922	(932)	(11)	1,506	(4,491)	(2,985)

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 £151.92 for 2025/26 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	2025/2026 Band D Equivalent Dwellings	2024/2025 Band D Equivalent Dwellings
Band A Disabled	5/9	4	1	2
Band A	6/9	1,574	1,097	1,148
		1,578	1,097	1,149
Band B	7/9	4,156	3,095	3,075
Band C	8/9	10,710	9,465	9,422
Band D	9/9	10,566	10,167	10,122
Band E	11/9	10,491	10,375	10,306
Band F	13/9	9,398	9,329	9,279
Band G	15/9	8,120	8,080	8,037
Band H	18/9	1,213	1,214	1,209
Council Tax Base		56,232	52,823	52,599

2 National Non-Domestic Rates

The total non-domestic rateable value at 31st March 2026 was £97,138,280 (£98,458,251 at 31st March 2025). The national non domestic multiplier for the year was 55.5p (54.6p in 2024/25) and the small business rates relief multiplier was 49.9p (49.9p in 2024/25).

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 2025/2026 £000	Council Tax 2025/2026 £000	Total 2025/2026 £000	Non-domestic Rates 2024/2025 £000	Council Tax 2024/2025 £000	Total 2024/2025 £000
Hampshire County Council	(320)	539	219	(206)	(2,415)	(2,621)
Police	0	93	93	0	(411)	(411)
Fire	(36)	30	(6)	(23)	(130)	(153)
Central Government	(1,782)	0	(1,782)	(1,145)	0	(1,145)
	(2,138)	662	(1,476)	(1,374)	(2,956)	(4,330)

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 (CIES)

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.