New Forest in Spring

Hampshire County Council

Statement of Accounts 2024/25

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Narrative Report

Narrative Report

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

- Understand the overarching financial position of the County Council and the outturn position for 2024/25;
- Have confidence that the public money with which the County Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that financial management of the County Council is strong and focused on supporting the continued delivery of services in a challenging economic and demographic context.

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

This Narrative Report has been structured to help enable readers to understand the County Council, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The report provides information about Hampshire, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2025 and is structured as set out below:

- Statement from the Leader of Hampshire County Council
- Introduction from the Chief Financial Officer
- An Introduction to Hampshire
- The County Council's Non-Financial Performance
- Financial Performance of the County Council 2024/25
- Corporate Risks
- Looking beyond 2025
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This is followed by an explanation of the Financial Statements, including information on changes during 2024/25.

Narrative Report

Statement from the Leader of Hampshire County Council

I am pleased to present to you the 2024/25 Statement of Accounts for Hampshire County Council.

These accounts highlight that despite the difficult financial situation facing many local authorities across the country, including ourselves, the County Council continues to deliver strong financial management, underpinned by good and robust financial governance. It is pleasing to note that the Council delivered a £5.6m underspend against budget for the 2024/25 financial year.

Our budgets are under huge pressure now and into the future. It is becoming increasingly challenging to keep delivering all that we are required to do because of the demand and cost pressures we face, which includes providing support to the growing numbers of children who need protecting from harm, abuse or neglect; delivering school transport for children with disabilities and additional needs; and supporting many more adults and older people with complex care needs and disabilities

Despite the significant savings we have delivered over the last 15 years we are not in sustainable position, having to draw on reserves to balance our budget in each of the last 3 years. During this last financial year, we engaged an independent panel of external experts to support and challenge our work on delivering savings and defining legal minimum service levels, acting in the role as 'pseudo-commissioners'. Whilst the panel concluded that even by operating at legal minimum service levels we will not be able to balance the budget on a sustainable basis in future, they also reported that Hampshire is a well-run council which has a strong track record of providing good services, and in the context of these account concluded that the Council has an excellent record of financial management, with strong foundations in place, with an effective framework of financial accountability which ensures financial information is accurate, timely and focusses on controls, probity, compliance and accountability.

Whilst our financial position is challenging, we continue to work hard to deliver the best outcomes we can for local people. This also extends to our work on Devolution and Local Government Reorganisation (LGR), two significant changes that are being taken forward in our area.

Central government has consulted on the approach to determining new funding allocations for local authorities and will also be consulting on changes to the Special Educational Needs and Disabilities (SEND) system. The outcome form both of these consultations impacts the County Council and its financial position going forward.

Councillor Nick Adams-King

Leader of Hampshire County Council

Narrative Report

Introduction from the Chief Financial Officer

This Narrative Report is designed to help readers better understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts themselves. It contains background information about the County Council and outlines some of the key financial issues in areas such as revenue and capital spending, reserves and treasury management.

As Chief Financial Officer to the County Council, I also have responsibility for the Pension Fund and further information is provided to help explain the current position on the Fund and its investments. The accounts themselves are very complex and technical in nature, but I hope you will take the time to look through them and in particular, read the Narrative Report which provides an excellent summary of what has happened during the financial year and outlines the financial standing of the County Council as at 31 March 2025.

The Leader's introduction to the accounts sets out that despite our strong financial management and governance our financial position remains incredibly challenging. This is expanded on further within the narrative report, which provides additional commentary on our current position and the challenges and risks we face in the future.

As Chief Financial Officer, I am pleased to report that we delivered a small underspend of £5.6m against our revenue budget this year. The result was that although we had budgeted to draw £74.1m from the Budget Equalisation Reserve to balance the budget, the actual draw was £68.5m.

We have closely monitored and controlled expenditure during the year to achieve this position, including through the introduction of spend control boards, and through our Legal Minimum Service Levels review in which we were supported of an external Independent Panel of experts. We also delivered a Mutually Agreed Resignation Scheme in year to enable ongoing savings in addition to our continuing Savings Programme to 2025.

We are doing everything we can to address the financial challenges we face, but there are significant drivers outside of our direct control, for example continued demand pressures and cost increases. In February 2025, as part of our budget setting process, the Director of Corporate Operations' Section 25 report set out the concerns on financial sustainability beyond 2025/26. I believe that without additional government funding or council tax flexibility, there is the likelihood that the Council will have to issue a Section 114 notice in advance of the 2027/28 financial year budget. Our request for EFS through a higher council tax referendum threshold for 2025/26 was denied, meaning our forecast budget gap for 2026/27 remains at over £100m, with reserves balances significantly depleted. We continue to work to deliver further savings and to explore ways to release short term funds (e.g. by borrowing for capital schemes to release reserves) but despite our excellent track record of financial management we are in a very challenging position.

Andy Lowe CPFA

Director of Corporate Operations

Narrative Report

The national audit backlog and the measures to address this

The Accounts and Audit Regulations 2015 and subsequent amendments set out the requirements for local authorities with respect to the preparation and publication of accounts. This includes the publication of draft accounts to allow the period of public inspection to take place, followed by the publication of audited accounts.

In recent years, although the County Council has met the deadlines for publishing draft accounts on time, the audit of the accounts has been affected by the national audit backlog. Central government has worked with stakeholders to put in place a series of measures designed to address the backlog, one outcome of which was the introduction of statutory backstop dates for the publication of an authority's accountability statements.

The accountability statements include:

- the statement of accounts together with the opinion and any certificate entered by the local auditor
- the annual governance statement (approved in accordance with the regulations)
- the narrative statement (prepared in accordance with the regulations)

The County Council's auditor (EY) concluded that it was not possible to complete the audit work on the 2022/23 accounts prior to the backstop date of 13 December 2024. The auditor therefore issued a disclaimed audit opinion on the 2022/23 statement of accounts to allow publication by the backstop date. This opinion was not the result of any issues identified with the County Council's accounts, it was purely due to the impact of the national audit backlog and the measures introduced to address the backlog.

The County Council's draft statement of accounts for 2023/24 was published in order to allow the period of public inspection to begin on the first working day of June 2024, as required by the Accounts and Audit Regulations. The audit of the accounts was however again impacted by the national audit backlog and the implementation of measures to address this backlog.

The auditor was able to carry out work on the audit of the 2023/24 accounts, however because a disclaimed audit opinion was issued for the 2022/23 accounts this impacted the audit opinion for 2023/24. This was because the previous disclaimed opinion impacted the auditor's ability to obtain sufficient evidence and assurance to issue an unqualified audit opinion before the backstop date of 28 February 2025 (e.g. the auditor could not rely on audited brought forward balances from 2022/23). The result was that the auditor had to issue a disclaimed opinion on the 2023/24, however again this was because of the national audit backlog rather than any issues identified with the County Council's accounts.

It is expected that it will take a number of years for local authority auditors to fully rebuild assurance to be able to issue unqualified audit opinions.

An introduction to Hampshire and Hampshire County Council

Hampshire County Council

Narrative Report

An Introduction to Hampshire

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

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

The structure of local government in Hampshire is expected to change over the next few years, as the Government is planning to replace county and district councils with unitary councils. Discussions about reorganisation in Hampshire remained ongoing at the time these accounts were published.

As well as the proposed unitary reorganisation, as part of devolution a combined authority is due to be created, with an elected mayor to introduced in 2028, covering the areas of Hampshire County Council, Isle of Wight Council, Southampton City Council and Portsmouth City Council. This will provide greater local control over items key to the area's prosperity, including aspects of transport, skills, housing and planning.

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

Key Facts about Hampshire

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

Compendium of Hampshire figures | About the Council | Hampshire County Council (hants.gov.uk)

Narrative Report

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

The County Council is responsible for approximately 5,500 miles of roads, 1,750 bridges, 157,000 street lights and 4,200 miles of footpaths.	The population of the county was 1,400,800 in the 2021 census, an increase of 83,000 (6.3%) since 2011. A similar increase is expected over the next decade.	About 135,000 pupils are taught in Hampshire's maintained schools.
Each year we provide over 4 million hours of homecare for adults requiring support.	As part of our public health duties, 25,500 Hampshire residents have a health check each year.	The County Council supports around 16,000 children with special educational needs.
More than 11,000 children receive social care support from the County Council.	Over 120,000 enquiries are received by the County Council in a year for advice and support related to adult social care.	Every year more thant 6 million books, ebooks and audio books are issued by libraries in Hampshire.
Around 95% of household waste is diverted from landfill, with about 40% being reused or recycled.	In 2021, 16.7% of Hampshire's population was aged 0-14, with 61.6% aged 15-64 and 21.7% aged 65+.	Our country parks receive 2 million visits each year.

Funding from the Government for the County Council remains constrained whilst demand for services is increasing. As a result, the Council's budget for 2024/25 included plans for a further £90m of savings (to be made over two financial years). This is in addition to the £640m of savings already made since austerity began in 2010.

However, the Council has now reached a point where the cost of providing services does not match the amount of funding available. This is due to high demand for services, especially adult social care, children's social care and services for children with special educational needs and disabilities (including home to school transport), which funding has not kept up with, especially as our Government grant levels per person are amongst the lowest in England. It is not within the Council's power to balance the two due to the Government tightly controlling local authority funding and prescribing statutory duties.

This is a nationwide issue also faced by many other councils across the country. The Council is thus examining the additional savings that could be achieved by reducing services to the legal minimum. A public consultation on savings proposals was held between 12 March and 7 May 2025. However, even if these savings are made they will still not be sufficient to sustainably balance the budget. Reserves are currently being used to bridge the gap but they can only be spent once. The Council consequently approached the Government for Exceptional Financial Support in the form of an above referendum limit Council Tax increase for 2025/26 but it was not agreed, so a resolution remains to be found.

Narrative Report

Councillors, Senior Officers and Staff

All of the items discussed on the previous page act to shape the County Council's priorities and provide a challenging environment for the organisation to operate in. Charged with directing the outcomes, priorities and policies of the County Council are the Councillors who are usually elected every four years (the Government has delayed the County Council elections which were due to take place in Hampshire in 2025 until 2026 due to devolution changes).

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

The County Council has 78 Councillors (also known as Members) who decide the budgets and policies for the vital local services provided by Hampshire County Council. The current political composition is as follows:

Party	Councillors
Conservative	50
Liberal Democrats	19
Labour	3
Independent	2
Unaffiliated	2
Green Party	1
Whitehill & Bordon Community Party	1

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

Supporting the work of the elected members is the Corporate Management Team (CMT). CMT work with, and for, the Leader and Cabinet to maximise the capacity and effectiveness of the organisation, in order to protect and build strong, sustainable public services that improve the quality of life for the people of Hampshire.

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

Membership of CMT (February 2026) consists of:

- Chief Executive – Gary Westbrook*
- Director of Adults' Health and Care – Jess Hutchinson
- Deputy Chief Executive and Director of Children's Services – Stuart Ashley
- Director of Corporate Operations – Andy Lowe (Chief Financial Officer)**
- Director of People and Organisation – Jac Broughton
- Director of Universal Services – Patrick Blogg

Note 8b shows the further detail of people that have been in a post meeting the definition of a senior officer during 2024/25.

** Gary Westbrook became Chief Executive in August 2025 following Carolyn Williamson's retirement. There is no longer a Hampshire 2050 directorate.*

*** Andy Lowe became Director of Corporate Operations in April 2025 following Rob Carr's retirement*

Narrative Report

Our Strategic Plan

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

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

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

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

A mid term review of the Strategic Plan was published in 2023

An updated strategic plan 2025-2028 was recently published.

Our Non-Financial Performance

Hampshire County Council

Narrative report

The County Council's Non-Financial Performance

We are proud of our strong record of delivering excellent services that provide value for money. Over more than a decade of constrained funding for local government, we have conducted an ambitious programme of savings and modernisation to try to protect services, although the funding situation has now reached a point where we are having to examine reducing services to the legal minimum service levels.

The County Council's Performance Assurance Framework (PAF) provides the governance structure for performance management and reporting to Cabinet. The PAF specifies that Cabinet receives an annual Corporate Performance Report about the County Council's performance. This includes information on:

- Performance against the Serving Hampshire Strategic Plan
- Organisational performance assurance (about staff, finance and governance)
- Corporate performance measures
- Results from key external inspections (e.g. Ofsted)
- An update on progress against the Productivity Action Plan

At the time the draft accounts were published (in June 2025), the report to the Cabinet had not yet been published, as this is scheduled for July 2025. However, the following information is a summary of the topics listed above which are planned to be covered in the performance report.

In recent years the performance report to Cabinet has been streamlined, with readers now directed to other sources where information has already been published, such as for performance highlights against the strategic plan, rather than duplicating it in the Cabinet report. The annual report demonstrates assurance against each of the four strategic outcomes through a range of reports presented to the appropriate Elected Member committees.

Performance against the Serving Hampshire Strategic Plan – The last two pages in this section set out a selection of performance highlights from 2024/25.

Organisational performance assurance – This mainly involves items already covered elsewhere in these accounts, such as the finance outturn, Annual Governance Statement and external audit findings, so won't be duplicated here.

Corporate performance measures – Data on several key measures will be included in the performance report. This is still being finalised so may change, but the findings are expected to be broadly as follows:

- **Adult social care** – Based on the latest inspection reports, 95% of Council owned and 84.5% of non-Council owned care homes in Hampshire are judged by the CQC (Care Quality Commission) as good or outstanding.

Narrative Report

- **Schools** – As at August 2024, the proportion of maintained schools in Hampshire rated by Ofsted as good or above is 93.4%, which is higher than the national average. School absence rates are also monitored, as the Covid pandemic resulted in a nationwide issue of significantly increased absence rates, which are now are now falling slightly in Hampshire.

- **Highways** – Across the country, constrained funding for councils means that the condition of highways assets is declining, with a corresponding reduction in public satisfaction. Hampshire is no exception. We continue to make the case to the Government for more support for highways maintenance.

- **Waste disposal** – The Council monitors the amount of household waste produced and the amount recycled. Both went up slightly between 2022/23 and 2023/24 (the most recent data available), with 40.3% of waste recycled in 2023/24. Annual changes are partly due to the weather (e.g. dry summers produce less garden waste as plants grow less) but also reflect ongoing waste reduction work and recycling schemes.

Productivity Action Plan update – The Corporate Performance Report will contain a brief update on progress with actions in this plan, such as delivery of savings for 2025 and progress with the Legal Minimum Level Service review.

Results from key external inspections – All were by Ofsted apart from Shared Lives, which was by the CQC.

- **Children's services** – Outstanding (June 2024)
- **Children's homes inspections during 2024/25** – One outstanding, five good and two requiring improvement.
- **Hampshire Achieves** (this provides teaching and training programmes for young people and adult community learning) – Good (November 2023)
- **Shared Lives** (an Adults Services scheme which matches people with care needs with carers in the community) – Good (June 2023)

Information about the financial and non-financial performance of local authorities is also published by MHCLG on their local authority data explorer at https://oflog.data.gov.uk/. There is though a time lag in the publication of this data, so at the time of writing it does not yet contain data for 2024/25.

The County Council produces much other performance information. Items reported separately to Cabinet include the performance of children's and adults' safeguarding, major change programmes, and the County Council's financial strategy. Departments also monitor and assess their own service performance against measures which are linked to the Council's Strategic Plan.

Our Financial Performance

Hampshire County Council

Narrative Report

Revenue budget

The County Council is responsible for providing a wide range of services. The accounts include maintained schools but not schools which have converted to Academy status. In 2024/25 the split of gross expenditure across the key service areas was as follows:

	2023/24 %	2024/25 %
Adults', Health and Care	27.0	26.0
Schools	41.6	43.4
Children's Services	15.7	15.8
Universal Services	10.1	9.4
Corporate Services	4.5	4.3
Hampshire 2050	1.1	1.1
Total	**100**	**100**

The expenditure by directorate is analysed on a subjective basis in the following table. Due to the nature of the services that the Council provides employee costs are a significant part of the costs. Third party payments includes payments made to providers of Adults' and Children's social care.

	2023/24 %	2024/25 %
Employee Costs	43.7	41.5
Premises	3.9	3.6
Transport	2.5	2.6
Supplies and Services	7.8	8.6
Third Party Payments	35.3	37.9
Transfer Payments	2.0	1.8
Support Services	4.8	4.0
Total	**100**	**100**

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

	2023/24 %	2024/25 %
Council tax	28.3	27.9
Business rates	1.9	1.8
General Government grants	6.5	6.7
Fees, charges and interest	17.1	17.6
Dedicated Schools Grant	35.8	35.0
Specific Government grants	10.4	10.9
Total	**100**	**100.0**

Narrative Report

The budget for 2024/25 was approved by the County Council on 22 February 2024 and the council tax requirement (which is the net budget met by council tax) for 2024/25 was set at £826.4m

More information about the budget originally set for 2024/25 is included in the Revenue Budget and Precept 2023/24 and Capital Programme 2023/24 - 2025/26 Report and in the Budget Book 2023/24.

During the 2024/25 financial year, regular update reports were presented alongside a Medium Term Financial Update in November 2024, setting out the forecast medium term financial position.

Outturn 2024/25 – Excluding school budgets

The revenue budget for 2024/25 was set by the County Council on 22 February 2024. A balanced budget was set, but this was only achieved by drawing £74.1m of one-off funding from the Budget Bridging Reserve (BBR).

In line with previous years, any early achievement of SP25 savings (i.e. savings achieved ahead of the date that budgets have been reduced) was planned to be added to the BBR. During 2024/25 £19.26m of early achievement of savings were transferred to the BBR.

The headline outturn position against the approved budget is an underspend of £5.573m. However, as the budget was only balanced by a draw from the BBR, this is not an underspend against in year funding. Instead, it means that the net draw from the BBR for 2024/25 is £5.6m less than planned at £68.5m instead of £74.1m.

	£m
Directorate position underlying overspend	**25.325**
Other central items	(1.459)
Capital Financing	(5.873)
Contingency	(28.155)
Net Position prior to Corporate Adjustments	**(10.162)**
Expected Credit Loss allowance adjustments	4.589
Net underspend	**(5.573)**
One-off draw from BBR agreed February 2024	74.100
Actual one-off draw from BBR to balance the budget	**68.527**

Narrative report

The directorate position is summarised in the table below.

Directorate	Budget	Actual	Variance	%
	£'000	£'000	£'000	
Adults' Health and Care*	540,735	566,044	25,309	4.7%
Children's Services - non-schools	412,968	425,942	12,974	3.1%
Corporate Operations	65,266	61,608	(3,658)	(5.6%)
People and Organisation	18,717	17,399	(1,318)	(7.0%)
Hampshire 2050	17,068	16,130	(938)	(5.5%)
Universal Services	163,070	156,024	(7,046)	(4.3%)
Total	**1,217,824**	**1,243,147**	**25,323**	**2.1%**

** excluding Public Health underspend*

Outturn 2024/25– Schools budget

A total net in year pressure of £89.2m has been reported against the schools budget, of which £94m relates to the High Needs Block with offsetting underspends in other funding blocks. This will be balanced by a charge to the Dedicated Schools Grant Reserve, as allowed by the Department for Education (DfE) as part of the Statutory Override, bringing the cumulative deficit on the DSG reserve to over £213m.

The pressure on the high needs block is attributable to continuing increases in the numbers of pupils with Education, Health and Care plans (EHCPs) across mainstream schools, special schools, post-16 provisions and resourced provisions. Due to the significant rise in EHCPs and increasing complexity of need, it has not possible to accommodate all pupils with an EHCP in a maintained school placement despite new places being created in year which has increased the use of Independent and Non-maintained Special Schools.

A DSG Management Plan, produced at the request of the DfE, is monitored and updated with progress as Hampshire County Council along with many other authorities is working with the DfE around developing and implementing strategies to reduce pressure on the High Needs block. The County Council will not be able to close the ongoing annual deficit in future years, meaning that the cumulative deficit will continue to rise without Government intervention.

As previously reported the statutory override allowing the use of the DSG deficit unusable reserve ends on 31 March 2026 (recently extended to 31 March 2028) and at this stage there is no national solution to this problem. Any suggestion that the ongoing in year deficits or the cumulative deficit must be made good by the local authority will put the Council in the position of issuing a Section 114 notice.

Narrative Report

Capital programme

The three year Capital Programme for 2024/25 to 2026/27 was approved by the County Council alongside the revenue budget and precept on 22 February 2024. More information about the budget originally set for 2024/25 is included in the Revenue Budget and Precept 2024/25 and Capital Programme 2024/25 - 2026/27 reports and in the 2024/25 Budget Book.

	2024/25 £'000
Adults' Health and Care	18,355
Children's Services	60,078
Hampshire 2050	15,718
Universal Services	164,851
Total Capital Expenditure	**259,002**
Funded by:	
External Sources:	
Capital Grants	142,022
Other Contributions *	56,496
Local resources:	
Prudential Borrowing:	37,465
Less: repayments from capital	(4,013)
Capital Receipts	27,032
Use of reserves	0
Total Capital Financing	**259,002**

* including developers contributions

Capital investment is an integral part of the delivery of public services, allowing the County Council to create and enhance assets to support the provision of services to the people of Hampshire.

The capital programme is funded through a combination of external funding, such as capital grants and developers' contributions, and the use of local resources. Local resources include reserves, borrowing, revenue funding, and capital receipts

The table to the left shows that in 2024/25 the County Council spent £259m on capital projects. Which included

- £72m for the **structural maintenance and improvement of roads and bridges**
- £55m of **Integrated Transport Plan schemes** including major road schemes and active travel schemes
- £49m of investment in **new and extended school buildings** to provide school places in Hampshire
- £26m to address **condition-based enhancements to the school estate**
- £18m allocation of **Disabled Facilities Grant funding** to allow adaptations to people's homes

Further information is included in the End of Year Financial Report 2024/25, to be considered by the County Council's Cabinet during Summer 2025.

Narrative Report

Treasury Management and Prudential Indicators

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

The County Council prepares an annual Treasury Management Strategy (TMS) which provides the framework within which authority was delegated to the Deputy Chief Executive and Director of Corporate Operations to make treasury management decisions during the year. Performance is reported quarterly and at the end of each financial year, including a number of treasury management indicators.

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

The Prudential Code also includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Capital Strategy includes a number of Prudential Indicators to help ensure that capital expenditure, investment and borrowing decisions are prudent, sustainable and affordable. The County Council has complied with all of its prudential indicators for the year.

The County Council's Capital and Investment Strategy, complying with the CIPFA and MHCLG requirements, was most recently updated and approved by full Council in February 2025.

At 31 March 2025, the County Council held treasury management loans of £162m (31 March 24: £172m) as part of its strategy for funding previous years' capital programmes. The County Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the County Council's long-term plans change being a secondary objective.

The County Council has held invested funds representing income received in advance of expenditure plus balances and reserves held. During 2024/25 the County Council's investment balances have ranged between £359m and £628m due to timing differences between income and expenditure. Both the CIPFA Code and the government guidance require the County Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The County Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Further information is included in the End of Year Financial Report 2024/25, to be considered by the County Council's Cabinet in Summer 2025.

Narrative Report

Reserves and Balances

The level and use of local authority reserves has been a regular media topic over a number of years, and more recently the Government has reiterated the view that reserves should feature more significantly in plans to reduce the impact of current financial pressures. Whilst helpful in the short term, as demonstrated by the County Council's use of its Budget Bridging Reserve, in the medium term however, one-off reserve funding does not provide a sustainable solution to on-going financial pressure.

The County Council has continually explained that reserves are kept for many different purposes and that simply trying to bridge the requirement for long term recurring savings through the use of reserves only serves to use up those reserves very quickly (meaning that they are not available for any other purposes), and merely delays the point at which the recurring savings are required with even less time to seek and implement any further savings that can be found.

The County Council's approach to reserves and the delivery of transformation and savings has been applauded in the past by the Government and external audit as a sensible, prudent approach as part of the wider MTFS. However, the Council reached a financial tipping point in 2022/23 beyond which it is unable to balance its budget through savings alone and is reliant on annual reserve draws to bridge the remaining shortfalls. This position has been reached following the challenging financial environment since 2010 and continued reductions in funding of local services alongside surging demand and inflationary pressures. This is only a short term solution to balance the budget and is not sustainable. Reserves can only be spent once and the budget gap is recurring and growing.

Change in reserves during 2024/25

The County Council drew £68.560m from the Budget Bridging Reserve to balance the budget for 2024/25. This was part of a net reduction in useable reserves of £71.023m. It is, however, worth noting that within this net position for 2024/25 are changes to reserves held on behalf of schools and the former Local Enterprise Partnerships (LEPs) and the balance of capital grants from government held in advance of expenditure on capital schemes.

The County Council has reviewed reserves during 2024/25 to release earmarks and commitments where possible to ensure that reserves are used to support the Budget Bridging Reserve (BBR) and other expenditure of the highest priority, such as the Mutually Agreed Resignation Scheme to support ongoing savings against the revenue budget. This included releasing amounts from the Capital Payments Reserve (CPR) to the BBR. This has longer term consequences in increasing borrowing costs and stopping or delaying all but the highest priority capital investment. In addition, County Council used a combination of capital receipts and prudential borrowing to fund locally resourced capital expenditure in 2024/25 with the express objective of preserving the capital payments reserve (CPR) balance. Although held for future capital expenditure, the CPR has largely been established through contributions from the revenue budget. By making use of capital receipts and borrowing for capital expenditure, the County Council has the option to release this reserve to the Budget Bridging Reserve.

It is also worth noting that the movements set out above exclude the DSG deficit as temporary regulations introduced in April 2020 require this to be kept separate from the County Council's general fund and is therefore presented within unusable reserves. The DSG deficit was £213.147m at 31 March 2025.

Narrative Report

Hampshire Pension Fund

The Hampshire Pension Fund is part of the Local Government Pension Scheme and is administered by Hampshire County Council. There were 402 employers with active members at 31 March 2025. As at 31 March 2025, the net assets of the Fund were valued at £10.2bn. The Pension Fund's accounts are included as part of the County Council's accounts.

In line with the Local Government Pension Scheme (LGPS) Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. At the 2022 actuarial valuation, the Fund was assessed as 107% funded (99% at the previous March 2019 valuation). This corresponded to a surplus of £637m (2019 deficit valuation: £78m) at that time. In accordance with the regulations the Actuary's triennial valuation is calculated on a different basis to the calculation of employers' individual pension fund liability for inclusion in their accounts under International Accounting Standard (IAS) 19.

Corporate Risk Management

Hampshire County Council

Narrative Report

Corporate Risk Management

As a major public sector organisation, the County Council manages numerous risks, of varying significance and severity, daily. Some are transient, and others are perpetual – they will always be there because of the nature of the services that the County Council operates.

Hampshire County Council takes a robust approach to risk management which is based on the principles outlined in the International Standard on Risk Management (ISO 311000) and well embedded across the organisation. This allows it to manage risk in a robust, systematic and documented way.

The current strategy for managing risk is set out in the Corporate Risk Management Strategy 2022-2025, which was approved by the Cabinet on 18 October 2022 with yearly updates provided to the Audit Committee. A key update this year was the introduction of 15 risk appetite statements to guide future recommendations and decision-making. A new strategy 2025-28 was agreed in November 2025.

The Corporate Risk Management Steering Group provides the organisation wide lead on risk. They report to the Corporate Management Team, who in turn report to Cabinet and Audit Committee. Information is fed into them from directorate management teams as well as from dedicated groups for health and safety, information governance and corporate resilience. Risks are also carefully managed within directorates and services.

The Council maintains a Corporate Strategic Risk Register. It is actively managed to ensure it remains up to date and is reported annually to Cabinet and Audit Committee. For security reasons, it is not publicly available. Directorates also maintain their own risk registers.

The County Council has developed a framework and governance structure for managing strategic and operational key risks for the organisation. These are based on an internally developed risk management framework and scoring system. The County Council uses this framework to manage and monitor mitigation controls of key risks and report on progress to Chief Officers and Members. Self-assessment is supported by reporting evidence, audits and regular risk reviews. Further assurance on our services is provided by Internal Audit and our External Auditors.

With regards to managing financial risk, the impact of the current economic and financial climate on the County Council is taken into account when the County Council sets its budget in the February preceding the start of the financial year. Significant movements and events during the year are reported to Cabinet. Monitoring of spend against the budget takes place throughout the year and is reported to the Corporate Management Team regularly and to Cabinet on a periodic basis. Financial risks are covered elsewhere in this narrative report.

The most recent Annual report can be found here.

Looking Beyond 2025

Hampshire County Council

Narrative Report

Looking Forward

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

A Medium Term Financial Update was presented in November 2024. This provided an update on the financial forecasts for the following two financial years. Further information was then included in the February 2025 budget setting report following the local government finance settlement. This was again a single year settlement, impacting the ability to plan with certainty. The government has however committed to a three year settlement in 2025. A further Medium Term Financial Strategy Update was presented in November 2025.

The County Council applied for Exceptional Financial Support (EFS) from the government in the form of council tax flexibility to allow for an above referendum limit (5%) council tax increase for 2025/26. This request was not granted, meaning the County Council increased council tax by 4.99%. The County Council was only able to balance the budget for 2025/26 through a draw from the Budget Bridging Reserve (BBR) of £64.9m, and the Director of Corporate Operations' section 25 statement set out that without significant additional government funding or a successful EFS application for 2026/27, the County Council would most likely be in the position of needing to issue a Section 114 notice for 2026/27.

It is not surprising that this position has been reached, as the County Council has been stating publicly since 2018 that unless something is done about the increasing costs of social care and the underlying model for funding upper tier local government, that it is not financially sustainable, since it cannot indefinitely make savings in other services to fund the growth in social care. With the impact of pay and price inflation in addition to growth in demand and other pressures, the costs of providing the County Council's services are growing much faster than its ability to fund these costs.

The County Council's lobbying activity will continue to try to bring about the changes needed within the local government finance system alongside work to continue to identify options for savings and temporary use of reserves however a fundamental change in the way local government is funded is required for the County Council to be financially sustainable. This is supported by the findings of the Independent Panel of experts (chaired by former CIPFA Chief Executive Rob Whiteman) who identified some further options for savings but concluded:

"Our review finds that even if the Council determines to operate at legal minimum services levels and pursues the savings, efficiencies and income generation opportunities highlighted by the Panel, it is highly unlikely that there will be sufficient recurring resources to balance the budget on a sustainable basis in 2025/26. This becomes a certainty in 2026/27 when a further budget deficit of some £84m comes into play."

"…the Council has reached a tipping point where it will be unable to balance its revenue budget in 2025/26 through savings. In the medium term there is a significant risk that the Council is no longer financially sustainable. Based on their latest forecast the Council will only be able to balance its 2025/26 with a significant drawdown from reserves and may not have sufficient earmarked reserves to bridge the projected budget gap in 2026/27."

The financial position continues to be incredibly challenging as will be reported in the February 2026 Budget and Precept report when this is published.

The short to medium term financial position continues to be unsustainable and of significant risk, including reduced financial resilience as a consequence of depleting one-off reserves. The budget forecast is clear that given the forecast levels of depleting reserves alongside recurring revenue pressures, there is likely to be insufficient reserves available to balance the 2027/28 budget.

Narrative Report

An updated **Capital Programme** was approved as part of budget setting for 2025/26. It plans to provide the following from 2025/26 onwards:

- £188m of investment in new and extended school buildings
- £166m for structural maintenance and improvement of roads and bridges
- £245m of Integrated Transport Plan schemes, including over £50m specifically focused on walking and/or cycling improvements
- £173m to safeguard the long-term viability of the Older Adult care estate
- £107m to address condition-based maintenance of the schools' estate
- £50m for waste recycling infrastructure to meet legislative requirements

The **Treasury Management Strategy** over the period will continue to build on existing policies and practices, in particular protecting investment capital. With a balance on reserves of £761m at the end of 2024/25, the County Council can also conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer-term view to investments where appropriate, albeit to a lesser extent than in the past.

Despite the reserves balance at the end of the 2024/25 financial year, it is worth noting that the Dedicated Schools Grant (DSG) deficit is not included within this figure due to the statutory override, however a cumulative £213m more has been spent than received as at 31 March 2025, having a significant impact on cash and investment balances.

The County Council has pursued a treasury management strategy of making use of 'internal borrowing' rather than taking on new external borrowing for capital programme in recent years. This means that although cash and investment balances are forecast to fall considerably as reserves are spent and the DSG deficit grows, the County Council is able to refinance this previous external borrowing to make cash available to meet its obligations. There is also the option to sell some longer term investments to release cash.

The Chief Financial Officer's Section 25 report in February 2025 highlighted the likelihood of a Section 114 notice being issued in future, saying that

> *"we have been highlighting since 2018 that if nothing is changed in the way that local government is funded or changes are not made to our statutory responsibilities that we will not be financially sustainable in the longer term. Seven years on from that statement with no changes in either item and significantly higher demand pressures and inflation since 2022 it is no surprise that Hampshire is facing the position that it is."*

In preparing the accounts and reviewing the County Council's cash flow forecasts, the Chief Financial Officer is content that the County Council will have the access to cash to be able to meet its obligations for the period 12 months beyond the publication of these accounts, but this does not mean the organisation is financially sustainable.

Hampshire County Council

Narrative Report

Local Government Reorganisation and Devolution

The County Council has committed to progress with developing proposals for local government reorganisation in the area. It would completely change the landscape of Hampshire's local councils by replacing the current two-tier council system, which is in place across most of the region, with a number of new unitary (all-purpose) councils. This change aims to simplify how councils are organised and run, creating large and financially resilient unitary councils that are more efficient, effective and deliver better value for money for taxpayers. Proposals for local government reorganisation were submitted to Government following engagement with our residents. Government then undertook a formal consultation which closed in January 2026.

As Government has agreed for Hampshire to be added to the fast-track devolution programme the County Council elections that were due in May 2025, have been postponed for 12 months. This postponement is essential to enable local areas to focus on laying the groundwork for devolution and reorganisation and allow for a Mayor to be elected in 2026 so that the benefits to local communities can be delivered as swiftly as possible. Reorganisation would then be expected to be in place by April 2028

In February 2025 the County Council were informed that the Government would be including the County Council in their fast-track plans to bring devolution to the area.

Devolution would transfer more central Government decision-making powers and extra money to Hampshire Authorities and provide greater local control over vital areas such as education, transport, and health services for Hampshire residents - giving people more power to shape the things that are important to them and provide robust local accountability.

As part of devolution proposals, the plan is for a new mayoral combined county authority to be created for Hampshire and the Solent, covering the areas covered by Hampshire County Council, Isle of Wight Council, Portsmouth City Council and Southampton City Council. Mayoral elections would take place in 2028.

The Mayor would also promote the interests of the wider region to central Government. With a combined population of over two million residents, home to 90,000 businesses and an economy that generates around £80 billion a year, the area is a powerhouse of economic activity and a significant asset for the wider UK economy.

Introduction to the Accounting Statements

Hampshire County Council

Narrative Report

Changes to the Accounts

The 2024/25 Code of Practice on Local Authority includes the mandatory introduction of IFRS 16 (leases) from 1 April 2024, as reflected in the County Council's accounts this year.

Explanation of the Statement of Accounts

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

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

The accounts consist of:

- Statement of Responsibilities for the Statement of Accounts – Outlines the key responsibilities in respect of the accounts, together with statements from the Chief Financial Officer and Chairman of the Audit Committee.
- Movement in Reserves Statement – Analyses the change in net worth between the general fund, other useable reserves and unusable reserves.
- Balance Sheet – This sets out assets and liabilities at the balance sheet date and the end of the previous financial year for comparison
- Cash Flow Statement – This summarises the movement in cash and cash equivalents during the course of the year.
- Comprehensive Income and Expenditure Statement – Shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than on the basis of the costs that are required to be financed from taxation.
- Notes to the Accounts – Which explain some of the key items and disclosures in the accounts.
- Pension Fund Accounts – These are the accounts of the Pension Fund, which is operated for employees of the County Council, Hampshire unitary and district councils and other bodies.

Narrative Report

Relationship between Accounting Statements

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

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

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

Where you can get further information

You can get more information about the accounts from the Director of Corporate Operations, Hampshire County Council, The Castle, Winchester, SO23 8UB;

e-mail: budget@hants.gov.uk

A Heron on the River Itchen.

Statement of Responsibilities

Hampshire
County Council

Statement of Responsibilities

1. **The County Council's responsibilities**

The County Council is required to:

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

2. **The Chief Financial Officer's responsibilities**

The Chief Financial Officer is responsible for preparing the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice

The Chief Financial Officer has also:

- Kept proper accounting records which are up to date
- Taken reasonable steps to prevent fraud and other irregularities.

Statement of Responsibilities

3. The Chief Financial Officer's Statement

I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council and Hampshire Pension Fund as at 31 March 2025 and the income and expenditure for the year ended 31 March 2025.

Andy Lowe

9 February 2026

Chief Financial Officer and Section 151 Officer

4. The Chairman's Statement

I certify that the Statement of Accounts for 2024/25 was approved by the Audit Committee on 25 September 2025.

Cllr Derek Mellor

9 February 2026

Chairman of the Audit Committee

Hampshire resident Darcy surveys part of the 219 square miles of New Forest National Park

Hampshire County Council

The Core Financial Statements

Movement in Reserves Statement

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those reserves that the Council may use to provide services at the balance sheet date, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and unusable reserves.

The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

	General Fund Balance* £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	
Balance at 31 March 2024	**(606,011)**	**(227,329)**	**(833,340)**	**(4,112,955)**	**(4,946,295)**	
(Surplus)/Deficit on the provision of services	482,934	0	**482,934**	(50,582)	**432,352**	CIES
Adjustments between accounting basis & funding basis	(424,614)	18,887	**(405,727)**	405,727	**0**	2
Net transfers of reserves to other local authorities	(353)	(4,931)	(5,284)	0	**(5,284)**	
(Increase) / decrease in Year	**57,967**	**13,956**	**71,923**	**355,145**	**427,068**	
Balance at 31 March 2025	**(548,044)**	**(213,373)**	**(761,417)**	**(3,757,810)**	**(4,519,227)**	
* includes earmarked reserves	(note 4)			(note 3)		

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CIES

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	General Fund Balance* £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Note
Balance at 31 March 2023	**(638,710)**	**(206,292)**	**(845,002)**	**(3,770,962)**	**(4,615,964)**	
(Surplus)/Deficit on the provision of services	(42,018)	0	**(42,018)**	(288,313)	**(330,331)**	CIES
Adjustments between accounting basis & funding basis	74,717	(21,037)	**53,680**	(53,680)	**0**	2
(Increase) / decrease in Year	**32,699**	**(21,037)**	**11,662**	**(341,993)**	**(330,331)**	
Balance at 31 March 2024	**(606,011)**	**(227,329)**	**(833,340)**	**(4,112,955)**	**(4,946,295)**	
* includes earmarked reserves	(note 4)			(note 3)		

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Balance Sheet

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the County Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

- The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Public Health Reserve that may only be used to fund public health activities.
- The second category of reserves are those that the Council is not able to use to provide services at the balance sheet date (Unusable Reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Following the adoption of the new accounting standard for leases (IFRS 16) Right of Use Assets have been included within PPE, with the associated liabilities included under short-term and long-term deferred liabilities.

Andy Lowe
Chief Financial Officer and Section 151 Officer
9 February 2026

31 March 2024 £'000		31 March 2025 £'000	See note
4,700,151	Property, plant & equipment (PPE)	4,536,236	19
57,564	Investment property	29,732	20
215,734	Long-term investments	151,066	22
133,057	Long-term debtors	65,615	22c
152,499	Net asset related to defined benefit pension schemes	77,395	24f
5,259,005	**Long-term assets**	**4,860,044**	
3,552	Current assets held for sale	4,625	
155,615	Short-term investments	139,603	22
4,565	Inventories	3,518	
301,357	Short-term debtors	288,995	22d
66,988	Cash and cash equivalents	18,471	22a
532,077	**Current assets**	**455,212**	
(227,763)	Short-term Creditors	(193,272)	22g
(66,257)	Short-term borrowing	(71,647)	22d
(8,791)	Deferred liability repayable within one year	(11,110)	22i
(30,425)	Grants receipts in advance - revenue	(24,014)	6
(53,181)	Grants receipts in advance - capital	(49,365)	6
(386,417)	**Current liabilities**	**(349,408)**	
145,660	**Net current assets**	**105,804**	
(23,310)	Provisions	(24,350)	23
(162,003)	Long-term borrowing	(153,000)	22e
(104,392)	Deferred liabilities	(113,766)	22i
(168,665)	Developers' contributions	(155,505)	22g
(458,370)	**Long term liabilities**	**(446,621)**	
4,946,295	**Total net assets**	**4,519,227**	
	Financed by:		
	Usable reserves		
(606,011)	General Fund and earmarked reserves	(548,044)	4
(227,329)	Capital grants unapplied reserve	(213,373)	4D
(833,340)	**Usable reserves**	**(761,417)**	
(4,112,955)	**Unusable reserves**	**(3,757,810)**	3
(4,946,295)	**Total Reserves**	**(4,519,227)**	

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Cash Flow Statement

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- The amount of net cash flows arising from **operating activities** is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.
- **Investing activities** represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.
- Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Our bank has taken responsibility for an error on 31 March 2025, in which our bank balances were incorrectly reported to us. This affected decisions made as part of our daily treasury management activity, as activity was carried out on the basis of an incorrect starting balance. Therefore, the value of cash and cash equivalents at the end of 2024/25 is significantly lower than it would have been if the banking error had not occurred (and correspondingly our short-term investments figure is higher than it would otherwise have been by an offsetting amount).

2023/24 £'000		2024/25 £'000	Note
(42,018)	Net (surplus) or deficit on the provision of services	482,934	
140,216	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(530,911)	27a
183,858	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	168,455	27a
282,056	**Net cash (inflow) or outflow from Operating Activities**	**120,478**	
(51,266)	Investing Activities	(82,992)	27b
31,167	Financing Activities	11,031	27c
261,957	**Net (increase) or decrease in cash and cash equivalents**	**48,517**	
(328,945)	Cash and cash equivalents at the beginning of the reporting period	(66,988)	
(66,988)	**Cash and cash equivalents at the end of the reporting**	**(18,471)**	22a

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Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Authorities raise taxation to cover expenditure in accordance with statutory requirements: this may be different from the accounting cost.

The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2023/24 Gross expenditure £'000	2023/24 Gross Income £'000	2023/24 Net expenditure £'000		2024/25 Gross expenditure £'000	2024/25 Gross Income £'000	2024/25 Net expenditure £'000	Note
759,243	(312,391)	**446,852**	Adults' Health and Care	857,788	(332,078)	**525,710**	
1,208,395	(1,138,311)	**70,084**	Schools	1,496,935	(1,268,172)	**228,763**	
392,951	(81,554)	**311,397**	Children's Services Non-Schools	487,377	(86,116)	**401,261**	
274,081	(83,295)	**190,786**	Universal Services	315,068	(92,626)	**222,442**	
87,145	(51,331)	**35,814**	Corporate Services	128,171	(46,904)	**81,267**	
29,762	(14,732)	**15,030**	Hampshire 2050	36,324	(15,376)	**20,948**	
3,900	0	**3,900**	(Decrease)/Increase in Provisions	0	(885)	**(885)**	
13,703	(7,908)	**5,795**	Other items not allocated to services	13,132	(5,437)	**7,695**	
2,769,180	**(1,689,522)**	**1,079,658**	**Cost of Services**	**3,334,795**	**(1,847,594)**	**1,487,201**	11
			Other operating expenditure				
8,884	(25,291)	**(16,407)**	(Gain)/Loss on disposal of assets	240,685	(40,621)	200,064	
50,700		**50,700**	Assets transferred to academy/foundation trust schools	26,655	0	**26,655**	
47,699	(32,321)	**15,378**	Total financing and investment income & expenditure	23,763	(41,819)	**(18,056)**	5
			Taxation and non-specific grant income				
	(175,627)		Non-ringfenced government grants		(199,414)		6
	(51,207)		Locally retained business rates		(53,196)		
	(785,428)		Council tax income		(830,871)		6
	(159,085)		Capital grants and contributions		(129,449)		6
		(1,171,347)	**Total Taxation and non-specific grant income**			**(1,212,930)**	
		(42,018)	**(Surplus)/Deficit on the provision of services**			**482,934**	
	(61,071)		Net gains on revaluation of property, plant & equipment		(30,569)		3a
	(227,242)		Net actuarial (gain)/loss on pension fund assets and liabilities		(20,013)		24c
		(288,313)	**Other Comprehensive (Income)/Expenditure**			**(50,582)**	
		(330,331)	**Total Comprehensive (Income)/Expenditure**			**432,352**	

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Manor Farm

Hampshire County Council

Notes to the Core Financial Statements

1. Expenditure and Funding Analysis

2023/24 Net Expenditure chargeable to the General Fund Balance £'000	2023/24 Adjustments between accounting and funding basis (see note 2) £'000	2023/24 Net expenditure in the CIES £'000		2024/25 Net Expenditure chargeable to the General Fund Balance £'000	2024/25 Adjustments between accounting and funding basis (see note 2) £'000	2024/25 Net expenditure in the CIES £'000
592,649	(145,797)	446,852	Adults' Health and Care	635,793	(110,083)	525,710
1,088,853	(1,018,769)	70,084	Schools	1,258,551	(1,029,788)	228,763
380,132	(68,735)	311,397	Children's Services Non-Schools	425,587	(24,326)	401,261
157,125	33,661	190,786	Universal Services	156,123	66,319	222,442
66,912	(31,098)	35,814	Corporate Services	77,103	4,164	81,267
17,311	(2,281)	15,030	Hampshire 2050	18,033	2,915	20,948
(1,256,299)	1,256,299	0	Specific Grants	(1,367,301)	1,367,301	0
10,711	(1,016)	9,695	Other items not allocated to services	6,568	242	6,810
1,057,394	**22,264**	**1,079,658**	**Net cost of services**	**1,210,457**	**276,744**	**1,487,201**
(1,024,695)	(96,981)	(1,121,676)	Other income and expenditure	(1,152,137)	147,870	(1,004,267)
32,699	**(74,717)**	**(42,018)**	**(Surplus) or deficit on the provision of services**	**58,320**	**424,614**	**482,934**

(638,710)	**Opening General Fund (including earmarked reserves) balance at 1 April**	**(606,011)**
32,699	Plus (surplus)/deficit on provision of services	58,320
0	Net transfers of reserves to other local authorities	(353)
(606,011)	**Closing General Fund (including earmarked reserves) balance at 31 March**	**(548,044)**

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, council tax precept and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practice as presented in the Comprehensive Income and Expenditure Statement. Further analysis of the adjustments is shown in note 2.

The EFA also shows how this expenditure is allocated for decision making purposes between the County Council's services.

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2. Adjustments between funding and accounting basis

2024/25 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Adjustments (Note c) £'000	Total Adjustments £'000
Adults' Health and Care	5,786	15,971	(131,840)	(110,083)
Schools	91,261	43,135	(1,164,184)	(1,029,788)
Children's Services Non-Schools	5,079	17,480	(46,885)	(24,326)
Universal Services	68,038	10,352	(12,071)	66,319
Corporate Services	157	11,472	(7,465)	4,164
Hampshire 2050	4,174	1,257	(2,516)	2,915
Other items not allocated to services:				
Specific Grants	0	0	1,367,301	1,367,301
Other	48	398	(204)	242
Net cost of services	**174,543**	**100,065**	**2,136**	**276,744**
Other income and expenditure from the funding analysis	63,937	(4,948)	88,881	147,870
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**238,480**	**95,117**	**91,017**	**424,614**
Other adjustments required under statute				
Transfer from capital grants unapplied reserve				(18,887)
Total adjustments between accounting and funding basis under statute				**405,727**

Note a) Adjustments for capital purposes:	£'000
Charges to services for depreciation and impairment	175,991
Nominal Leases	(10,210)
Service revenue expenditure funded from capital under statute	64,879
Capital grants and contributions applied to fund service revenue expenditure under statute	(60,391)
Current value of assets disposed	240,670
Current value of assets transferred to academies	26,655
Deferred Capital Receipt	(22,750)
Statutory minimum revenue provision for capital financing	(31,917)
External contribution to minimum revenue provision	695
Increase in capital debtors	(389)
Capital grants and contributions applied	(119,240)
Movement in the market value of investment properties and pooled property funds	(670)
Total transferred to capital adjustment account	263,323
Transfer asset sale proceeds to capital receipts reserve	(24,843)
Note a) Total	238,480

Notes to the EFA – 2024/25

Note b) Adjustments for pensions:	£'000
Current service cost of funded local government pensions	115,835
Past service cost of funded local government pensions	2,660
Effect of settlements	(2,611)
Interest on net pension liability	(4,948)
Total transferred to Pension Reserve	110,936
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(15,819)
Note b) Total	95,117

Note c) Other adjustments:	£'000
Difference between accrued cost of employee holiday benefits and those taken, transferred to the Accumulated Absences Account	232
Amortisation of premiums and discounts and modification gains on financial instruments transferred to the Financial Instruments Adjustment Account	(3,459)
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account	3,111
Adjustment for soft loans advanced	1,904
Increase in the DSG deficit	89,229
Note c) Total	91,017

2. Adjustments between funding and accounting basis

2023/24 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Adjustments (Note c) £'000	Total Adjustments £'000
Adults & Health	9,488	(30,202)	(125,083)	(145,797)
Schools	103,407	(66,749)	(1,055,427)	(1,018,769)
Children's Services non-schools	6,023	(30,355)	(44,403)	(68,735)
Universal Services	62,835	(17,539)	(11,635)	33,661
Corporate Services	541	(18,796)	(12,843)	(31,098)
Hampshire 2050	5,001	(2,205)	(5,077)	(2,281)
Other items not allocated to services:				
Specific Grants	0	0	1,256,299	1,256,299
Other	0	(812)	(204)	(1,016)
Net cost of services	**187,295**	**(166,658)**	**1,627**	**22,264**
Other income and expenditure from the funding analysis	(143,344)	4,020	42,343	(96,981)
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	**43,951**	**(162,638)**	**43,970**	**(74,717)**
Other adjustments required under statute				
Transfer from capital grants unapplied reserve				21,037
Total adjustments between accounting and funding basis under statute				**(53,680)**

Note a) Adjustments for capital purposes:	£'000
Charges to services for depreciation and impairment	185,389
Service revenue expenditure funded from capital under statute	35,293
Capital grants and contributions applied to fund service revenue expenditure under statute	(31,060)
Current value of assets disposed	8,860
Current value of assets transferred to academies	50,700
Statutory minimum revenue provision for capital financing	(31,945)
External contribution to minimum revenue provision	695
Revenue contributions to capital	0
Capital grants and contributions applied	(159,085)
Movement in the market value of investment properties	1,738
Total transferred to capital adjustment account	60,585
Transfer asset sale proceeds to capital receipts reserve	(16,634)
Note a) Total	**43,951**

Notes to EFA – 2023/24 (prior year comparators)

Note b) Adjustments for pensions:	£'000
Current service cost of funded local government pensions	115,609
Past service cost of funded local government pensions	1,154
Effect of settlements	(1,517)
Interest on net pension liability	4,020
Total transferred to Pension Reserve	119,266
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(281,904)
Note b) Total	**(162,638)**

Note c) Other adjustments:	£'000
Difference between accrued cost of employee holiday benefits and those taken, transferred to the Accumulated Absences Account	1,627
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account	3,978
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account	595
Increase in the DSG deficit	37,770
Note c) Total	**43,970**

3. Unusable Reserves

This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations."

	Balance 1 April 2024 £'000	Movement £'000	Balance 31 March 2025 £'000	Note
Revaluation reserve	(1,820,368)	144,938	(1,675,430)	3a
Capital adjustment account	(2,287,392)	66,836	(2,220,556)	3b
Deferred Capital Receipt Reserve	0	(22,750)	(22,750)	3h
Pensions reserve	(152,499)	75,104	(77,395)	3c
Accumulated absences account	18,700	232	18,932	3d
Financial instrument adjustment accounts	19,070	(1,555)	17,515	3e
Collection fund adjustment account	(14,385)	3,111	(11,274)	3f
DSG deficit	123,919	89,229	213,148	3g
	(4,112,955)	**355,145**	**(3,757,810)**	

3. Unusable Reserves

3a Revaluation reserve

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

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

2023/24 £'000			2024/25 £'000
	(1,709,603)	Balance at 1 April	(1,820,368)
	(61,071)	(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(30,569)
38,375		Difference between fair value depreciation and historical cost depreciation	42,296
22,992		Write off net gains for assets transferred to Academy/Foundation schools	9,709
(111,061)		Accumulated gains on assets sold, scrapped or transferred to/from current assets	123,502
	(49,694)	**Amount written off to the Capital Adjustment Account**	175,507
	(1,820,368)	**Balance at 31 March**	**(1,675,430)**

3. Unusable Reserves

3b Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

This account contains expenditure financed from revenue and capital receipts together with the statutory amount required to provide for the repayment of external loans less the amounts included for depreciation, impairment and revenue expenditure financed by capital under statute and the historic cost of asset disposals.

The reserve is not cash backed.

The movement in the account is analysed in the table to the right.

2023/24 £'000		2024/25 £'000	£'000
(2,402,074)	Balance brought forward 1 April		(2,287,392)
0	Increase in Capital Debtors		(389)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
185,389	Charges for depreciation and impairment of non-current assets	175,991	
35,293	Revenue expenditure funded from capital under statute	64,879	
8,860	Assets disposals current value	240,670	
50,700	Assets transferred to Academy/Foundation schools current value	26,655	
(2,121,832)			(1,779,586)
49,694	Adjusting amounts written out of Revaluation Reserve		(175,507)
(2,072,138)	**Net amount written out of the cost of assets consumed in the year**		(1,955,093)
	Capital financing applied in the year:		
(20,877)	Capital receipts applied	(26,532)	
(31,945)	Statutory minimum revenue provision for capital financing	(31,917)	
695	External contribution to minimum revenue provision	695	
0	Revenue contributions to capital expenditure	0	
(169,108)	Capital grants and contributions applied	(198,518)	
(221,235)			(256,272)
1,738	Movement in the market value of investment properties and pooled property fund		(670)
4,243	Write down of capital debtors		1,689
0	Fair Value of nominal lease properties		(10,210)
(2,287,392)	**Balance as at 31 March**		(2,220,556)

3. Unusable Reserves

3c Pensions reserve

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

However, statutory arrangements require benefits earned to be financed as the County Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

On an IAS 19 accounting basis a debit balance on the Pensions Reserve would represent a shortfall in the resources the Council has set aside to meet the benefits earned by past and current employees. A credit balance represents a surplus in resources on an IAS 19 accounting basis.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2023/24 £'000		2024/25 £'000
237,381	Balance at 1 April	(152,499)
(227,242)	Reversal of actuarial losses / (gains) on pensions assets and liabilities included in Other Comprehensive Income and Expenditure in the CIES	(20,013)
119,266	Reversal of retirement benefit items that were included in the Surplus or Deficit on the Provision of Services in the CIES	110,936
(281,904)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,819)
(152,499)	**Balance at 31 March**	**(77,395)**

Note that on 3 April 2023 the County Council paid its employer's pension contributions in advance for the three year period from April 2023 to March 2026. This is therefore reflected in the higher pension contribution payment in 2023/24 and the lower amount in 2024/25.

The County Council was able to benefit from lower employer's pension contributions for the period by making this payment in advance.

3. Unusable Reserves

3d Accumulated absences account

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

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

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

3e Financial instruments adjustment accounts

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

3. Unusable Reserves

3f Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax and business rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Billing Authorities' Collection Funds. There is a timing difference between the draft accounts and the final accounts on this reserve, as the deadline for producing this information is after the draft statement of accounts has been produced.

3g Dedicated schools grant adjustment account

This unusable reserve was established by regulation on 1 April 2020 in order to keep separate from the County Council's general fund, any deficits arising from schools budget expenditure that exceeds the available funding provided through the annual dedicated schools grant (DSG). This accounting treatment is limited to the financial reporting periods from 2020/21 with the government announcing in June 2025 an extension until the end of 2027/28. Although this is an unusable reserve due to regulation, it does impact the County Council's cash and investment balances as it represents expenditure in excess of funding that has been incurred with respect to DSG funded activity.

3h Deferred Capital Receipt Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

4. General Fund and Earmarked Reserves

	Balance 1 April 2023 £'000	Movement in 2023/24 £'000	Balance 31 March 2024 £'000	Movement in 2024/25 £'000	Balance 31 March 2025 £'000	See note
Revenue Reserves						
A. General Fund Balance	(24,998)	(900)	**(25,898)**	(26,000)	**(51,898)**	*a*
B. County Council Earmarked Revenue Reserves						
Fully Committed to Existing Spend Programmes						
Revenue Grants Unapplied	(9,590)	(913)	**(10,503)**	2,816	**(7,687)**	*b*
General Capital Reserve	(172,441)	16,972	**(155,469)**	43,726	**(111,743)**	*c*
Street Lighting Reserve	(26,953)	1,802	**(25,151)**	**(203)**	**(25,354)**	*d*
Public Health Reserve	(10,768)	37	**(10,731)**	**(752)**	**(11,483)**	*e*
Other	(1,513)	(171)	**(1,684)**	**(233)**	**(1,917)**	*f*
	(221,265)	**17,727**	**(203,538)**	**45,354**	**(158,184)**	
Departmental / Trading Reserves						
Trading Accounts & River Hamble	(10,238)	592	**(9,646)**	9,282	**(364)**	*g*
Departmental Cost of Change	(141,801)	18,215	**(123,586)**	87,122	**(36,464)**	*h*
	(152,039)	**18,807**	**(133,232)**	**96,404**	**(36,828)**	
Risk Reserves						
Insurance	(47,529)	3,900	**(43,629)**	19,115	**(24,514)**	*i*
Investment Risk	(6,250)	(3,900)	**(10,150)**	**0**	**(10,150)**	*j*
	(53,779)	**0**	**(53,779)**	**19,115**	**(34,664)**	
Corporate Reserves						
Budget Bridging Reserve	(73,111)	(22,372)	**(95,483)**	**(45,976)**	**(141,459)**	*k*
Invest To Save	(16,462)	14,212	**(2,250)**	**2,250**	**0**	*l*
Corporate Policy	(9,158)	7,985	**(1,173)**	**1,173**	**0**	*m*
Corporate Cost of Change			**0**	**(33,333)**	**(33,333)**	*n*
Organisational Change	(3,003)	3,003	**0**	**(2,000)**	**(2,000)**	*o*
	(101,734)	**2,828**	**(98,906)**	**(77,886)**	**(176,792)**	
Total Earmarked Revenue Reserves available to the County Council	**(528,816)**	**39,362**	**(489,455)**	**82,987**	**(406,468)**	
C. Other Earmarked Revenue Reserves						
Former LEP Reserves	(3,572)	(269)	**(3,841)**	**(55)**	**(3,896)**	*p*
Schools Reserves	(81,323)	(5,494)	**(86,817)**	**1,035**	**(85,782)**	*q*
Total Revenue Reserves and Balances	**(638,710)**	**32,699**	**(606,011)**	**57,967**	**(548,044)**	
D. Capital Reserves						
Capital Grants Unapplied	(206,292)	(21,037)	**(227,329)**	**13,956**	**(213,373)**	*r*
Total Capital Reserves and Balances	**(206,292)**	**(21,037)**	**(227,329)**	**13,956**	**(213,373)**	
Total Usable Reserves	**(845,002)**	**11,662**	**(833,340)**	**71,923**	**(761,417)**	

Usable Reserves

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading within the Comprehensive Income and Expenditure Statement in that year and is included in the Surplus or Deficit on the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

An explanation of each reserve is provided on the following page.

For further detail on the movements in year please see the outturn report taken to County Council in July which can be accessed at this link.

4. General Fund and Earmarked Reserves

General Fund

a) The General Fund Balance is held in the event of a major financial issue and could be used at very short notice. It must be maintained at a sufficient level to ensure spending obligations can always be met.

Earmarked County Council reserves

b) The revenue grants unapplied reserve holds grants to be accounted for in advance of the matched spending being incurred where there is no repayment condition.

c) The general capital reserve ('capital payments reserve') holds funding set aside in advance of planned expenditure, largely from revenue contributions.

d) The street lighting reserve is used to manage the profile of the financial model for this Public Finance Initiative (PFI) scheme whereby surplus cash is invested upfront and then applied to the contract payments in future years.

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

f) Other smaller reserves are sums set aside for specific future purposes relating to Community Transport & Scientific Services equipment replacement

g) The trading accounts previously enabled business units to carry forward planned surpluses to cover future investment or possible losses. Business Units ceased to operate as trading units from 1 April 2025 and now form part of directorate budgets. Any funding requests and reserve balances have been transferred to the 'Corporate Cost of Change'. The remaining balance relates to River Hamble.

h) The departmental cost of change reserve enables individual services to fund specific initiatives or are held for external partnerships which are not available for general use.

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

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

k) The Budget Bridging Reserve is intended to be used to smooth the impact of funding reductions and service and inflationary pressures however more recently this has been used as a last resort to balance the budget.

l) The balance on the former invest-to-save reserve has been transferred to the Corporate cost of change

m) The balance of the former corporate policy reserve has been transferred to the Corporate cost of change

n) Corporate Cost of Change – a corporate approach to manage change requests has been implemented to ensure that these reducing funds are used for the highest priority purposes

o) The organisational change reserve was established to fund costs of the voluntary redundancy schemes implemented to facilitate staffing reductions on a voluntary basis and to provide funding for organisational development.

Other earmarked revenue reserves

p) The former LEP reserves represent committed spend in accordance with former Local Enterprise Partnership purposes that transferred into the Council from 1 April 2024.

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

Capital reserves

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

5. Financing and Investing Income and Expenditure

The financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement is made up of the elements detailed in the table.

2023/24 £'000		2024/25 £'000
20,761	Interest payable	18,384
(23,698)	Interest receivable	(31,398)
5,901	Pooled Investment Funds & Investment property fair value (gains) and losses	(3,421)
(8,623)	Realised (gain) on disposal of Pooled Investment Funds	0
4,900	Realised loss on disposal of Pooled Investment Funds	0
4,020	Pension interest	(4,948)
131	(Surplus)/deficit on internal trading undertakings	(2,052)
10,300	Increase/(Decrease) in Expected Credit Losses	5,379
1,686	Reclassification of capital debtor	0
15,378	**Total within other operating expenditure**	**(18,056)**

6. Government Grants and Other Contributions

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

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

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

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

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

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

6. Government Grants and Other Contributions

Restated* 2023/24 £'000	Credited to Taxation and Non Specific Grant Income	2024/25 £'000
(29,203)	Developer's contributions	(42,925)
(15,496)	Disabled Facilities Grant	(17,685)
(4,583)	Homes England HIF - Capacity Fund	(20,821)
(34,275)	Local Transport Plan Grant	(22,666)
(20,840)	Local Transport Plan Pot Hole Action Fund	(19,111)
(7,668)	Other Department for Transport Grants	(6,841)
(23,276)	Other contributions & miscellaneous income	(13,675)
(22,929)	Schools Condition Allocation	(22,737)
(7,039)	Schools Devolved Formula Capital	(5,547)
(24,836)	Schools High Needs Grant	(7,622)
	Adjustment for nominal leases required by the adoption of IFRS 16	(10,210)
31,061	**Less: Capital income used to fund revenue expenditure under statute**	**60,391**
(159,084)		(129,449)
(175,627)	Non-ringfenced Government grants	(199,414)
(334,711)	**Total**	**(328,863)**

Restated* 2023/24 £'000	Credited to services	2024/25 £'000
(4,385)	Adult Social Care Discharge Fund	(7,309)
0	Core Schools Budget Grant	(17,991)
(3,482)	**Covid-19** Holiday Activities Food Programme (HAF)	(3,475)
(878)	**Covid-19** Newly Qualified Teachers (NQT) Induction & Backfill Mentor Training	0
0	**Covid-19** Practical Support (Self Isolation)	(176)
(6,469)	**Covid-19** Recovery Premium	(2,006)
(5,371)	**Covid-19** Other Specific Grants	(5,088)
(974,050)	Dedicated Schools Grant (DSG)	(1,041,897)
(14,660)	Free School Meals - Universal (UIFSM)	(14,666)
(12,843)	Homes for Ukraine Grants	(7,406)
(31,279)	Local Authority Improved Better Care Fund Grants (BCF)	(31,279)
(18,364)	Market Sustainability and Fair Cost of Care Fund	(20,801)
(14,248)	New Household Fund Grant	(14,248)
(7,427)	PE & Sport Grant	(7,379)
(42,362)	Per Pupil Premium	(42,936)
(9,373)	PFI Street Lighting Grant	(9,373)
(56,169)	Public Health Grants	(58,875)
(7,840)	Teachers Pay Grant	(13,408)
(48)	Teachers Pensions Grant	(17,778)
(16,532)	Unaccompanied Asylum Seeking Children (UASC)	(17,496)
(30,516)	Other Specific Grants	(33,714)
(158,144)	Other grants and contributions	(162,325)
(3,865)	Developers Contributions	(3,673)
(2,353)	Apprenticeship Levy - non cash adj Grant income	(2,971)
(31,061)	**Capital grants and contributions released to fund revenue expenditure (REFCUS)**	**(60,391)**
(1,451,719)	**Total**	**(1,596,661)**

*The aggregation of grants has been reviewed for the 2024/25 accounts. Therefore, the grants listed in both tables above for 2023/24 have been grouped differently to how they were presented in the 2023/24 accounts. This is in order to aid comparison between the two years. The purpose of the review was to improve the presentation for users of the accounts.

6. Government Grants and Other Contributions

The County Council has received a number of grants and contributions that have conditions attached to them. This means that they cannot be recognised as income until those conditions are met.

Until that time the balances are held on the balance sheet as receipts in advance, this is because they could be required to be returned until the conditions are met.

31 March 2024 £'000	Capital grants and contributions receipts in advance	31 March 2025 £'000
(16,540)	Department for Transport Grant	(17,820)
(15,178)	DfT Sect 31 Grant - Safer Routes	(19,779)
(1,933)	Other Capital grants receipts in advance	(3,763)
(8,942)	Schools Devolved Formula Capital	(6,561)
(703)	Special Educational Needs and Disability	(462)
(9,885)	Transforming Cities Fund	(980)
(53,181)	**Total**	**(49,365)**

31 March 2024 £'000	Revenue grants receipts in advance	31 March 2025 £'000
(3,734)	Afghan Citizens Resettlement Grants	(5,834)
(225)	Covid-19 Contain Outbreak Management Fund	0
(4,790)	Covid-19 Track and Trace Grant	0
(786)	Covid-19 Other Revenue grants receipts in advance	0
(8,181)	Homes for Ukraine Tariff Grant	(5,446)
(11,710)	Other Revenue grants receipts in advance	(12,268)
(999)	Single Farm Payments European Grant	(466)
(30,425)	**Total**	**(24,014)**

7. Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis, for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2024/25 are as follows:

	Central expenditure £'000	Individual Schools Budget £'000	2024/25 Total £'000
Final DSG for 2024/25 before Academy and High Needs Recoupment			(1,367,326)
Academy and High Needs figure recouped for 2024/25			311,878
Total DSG after Academy and High Needs recoupment for 2023/24			**(1,055,448)**
Plus brought forward from 2023/24			0
Less carry forward to 2025/26 agreed in advance			0
Agreed initial budgeted distribution in 2024/25	(177,677)	(877,771)	**(1,055,448)**
In year adjustments		989	989
Final budget distribution in 2024/25	**(177,677)**	**(876,782)**	**(1,054,459)**
Less Actual central expenditure	271,361		271,361
Less Actual ISB deployed to schools		872,327	872,327
In year carry forward to 2025/26	**93,684**	**(4,455)**	**89,229**
DSG deficit unusable reserve at 1 April 2024			**123,919**
Addition to DSG unusable reserve at the end of 2024/25			89,229
Total of DSG unusable reserve at 31 March 2025			**213,148**
Net DSG position at the end of 2024/25			**213,148**

8. Officers' Remuneration and Exit Costs

Employee benefits

Benefits payable during employment

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

Termination benefits

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

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

8. Officers' Remuneration and Exit Costs

8a Officer remuneration

The number of employees whose remuneration during the year was £50,000 or more, in bands of £5,000, is shown here, excluding those that are senior employees (see note 8b).

Remuneration includes all amounts paid to an employee, including the taxable value of expenses.

Number of employees 2023/24			Including termination payments	Number of employees 2024/25		
Schools	Other	Total		Schools	Other	Total
554	593	**1,147**	£50,000 - £54,999	681	603	**1,284**
294	299	**593**	£55,000 - £59,999	407	278	**685**
175	179	**354**	£60,000 - £64,999	218	262	**480**
155	128	**283**	£65,000 - £69,999	142	114	**256**
101	76	**177**	£70,000 - £74,999	144	148	**292**
74	28	**102**	£75,000 - £79,999	118	36	**154**
65	33	**98**	£80,000 - £84,999	67	42	**109**
38	34	**72**	£85,000 - £89,999	34	49	**83**
19	13	**32**	£90,000 - £94,999	41	16	**57**
6	3	**9**	£95,000 - £99,999	16	12	**28**
9	4	**13**	£100,000 - £104,999	11	11	**22**
6	18	**24**	£105,000 - £109,999	7	12	**19**
5	9	**14**	£110,000 - £114,999	6	9	**15**
5	3	**8**	£115,000 - £119,999	4	5	**9**
1	4	**5**	£120,000 - £124,999	8	2	**10**
1	2	**3**	£125,000 - £129,999	3	4	**7**
1	0	**1**	£130,000 - £134,999	0	2	**2**
0	0	**0**	£135,000 - £139,999	1	5	**6**
0	1	**1**	£140,000 - £144,999	1	1	**2**
1	0	**1**	£145,000 - £149,999	0	3	**3**
0	1	**1**	£150,000 - £154,999	1	0	**1**
0	0	**0**	£165,000 - £169,999	0	1	**1**
1	0	**1**	£170,000 - £174,999	1	1	**2**
0	0	**0**	£190,000 - £194,999	0	1	**1**
0	0	**0**	£215,000 - £219,999	0	1	**1**
1,511	**1,428**	**2,939**		**1,911**	**1,618**	**3,529**

Number of employees 2023/24			Excluding termination payments	Number of employees 2024/25		
Schools	Other	Total		Schools	Other	Total
552	592	**1144**	£50,000 - £54,999	681	590	**1,271**
293	298	**591**	£55,000 - £59,999	407	266	**673**
175	180	**355**	£60,000 - £64,999	214	251	**465**
155	129	**284**	£65,000 - £69,999	141	98	**239**
99	74	**173**	£70,000 - £74,999	143	132	**275**
76	27	**103**	£75,000 - £79,999	118	24	**142**
64	34	**98**	£80,000 - £84,999	67	31	**98**
38	34	**72**	£85,000 - £89,999	34	39	**73**
18	12	**30**	£90,000 - £94,999	40	11	**51**
6	2	**8**	£95,000 - £99,999	16	4	**20**
9	3	**12**	£100,000 - £104,999	10	8	**18**
5	17	**22**	£105,000 - £109,999	7	9	**16**
5	9	**14**	£110,000 - £114,999	6	8	**14**
5	2	**7**	£115,000 - £119,999	4	4	**8**
1	3	**4**	£120,000 - £124,999	8	1	**9**
1	2	**3**	£125,000 - £129,999	3	4	**7**
1	0	**1**	£130,000 - £134,999	0	1	**1**
0	0	**0**	£135,000 - £139,999	1	0	**1**
0	1	**1**	£140,000 - £144,999	1	0	**1**
1	0	**1**	£145,000 - £149,999	0	1	**1**
0	1	**1**	£150,000 - £154,999	1	0	**1**
1	0	**1**	£170,000 - £174,999	1	0	**1**
1,505	**1,420**	**2,925**		**1,903**	**1,482**	**3,385**

8. Officers' Remuneration and Exit Costs

8b Senior employees' remuneration – 2024/25

This statement covers the remuneration of Chief Officers.

Senior employees 2024/25	Salary, (Including fees and allowances) £	Expense Allowances £	Benefits in Kind £	Compensation for Loss of Office £	Pension contribution £	Total remuneration including pension contributions £
Chief Executive, Carolyn Williamson	252,317	0	0	0	44,912	**297,229**
Director of Children's Services and Deputy Chief Executive, Stuart Ashley	179,268	0	0	0	31,910	**211,178**
Director of Adults' Health and Care and Deputy Chief Executive, Graham Allen (with effect until 31/08/2024)	79,626	0	0	0	14,173	**93,799**
Director of Adults' Health and Care, Jessica Hutchinson (with effect from 01/09/2024)	104,075	0	0	0	18,528	**122,603**
Director of Public Health	135,151	0	0	0	24,057	**159,208**
Director of Corporate Operations and Deputy Chief Executive, Rob Carr (with effect until 30/03/2025)	193,718	0	0	0	33,747	**227,465**
Director of People and Organisation, Jac Broughton	169,220	0	1,199	0	28,409	**198,828**
Director of Universal Services, Patrick Blogg	169,220	0	744	0	28,959	**198,923**
Director of Hampshire 2050 and Assistant Chief Executive, Gary Westbrook (with effect until 31/08/2024)	73,583	0	281	0	12,697	**86,561**
Director of Hampshire 2050 and Deputy Chief Executive, Gary Westbrook (with effect from 01/09/2024)	101,957	0	390	0	17,593	**119,940**

Salary costs for the Director of Corporate Operations and the Director of People and Organisation were partly funded from partnership income. In addition, offset against the salary costs of the Director of Public Health were contributions from the Isle of Wight Council as part of the County Council's partnership agreement

8. Officers' Remuneration and Exit Costs

8b Senior employees' remuneration – 2023/24

This statement covers the remuneration of Chief Officers.

Senior employees 2023/24	Salary, (Including fees and allowances)	Expense Allowances	Benefits in Kind	Compensation for Loss of Office	Pension contribution	Total remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive, Carolyn Williamson	246,162	0	0	0	43,817	**289,979**
Director of Children's Services and Deputy Chief Executive, Steve Crocker (with effect until 18/04/2023)	7,142	0	0	0	1,271	**8,413**
Director of Children's Services, Stuart Ashley	166,971	0	0	0	29,673	**196,644**
Director of Adults' Health and Care and Deputy Chief Executive, Graham Allen	185,465	0	0	0	33,013	**218,478**
Director of Public Health	131,853	0	0	0	23,470	**155,323**
Director of Corporate Operations and Deputy Chief Executive, Rob Carr	185,465	0	0	0	33,013	**218,478**
Director of People and Organisation, Jac Broughton	165,091	0	186	0	29,140	**194,417**
Director of Universal Services, Patrick Blogg	165,091	0	258	0	28,999	**194,348**
Director of Hampshire 2050 and Assistant Chief Executive, Gary Westbrook	165,091	0	0	0	29,386	**194,477**

Salary costs for the Director of Corporate Operations and the Director of People and Organisation were partly funded from partnership income. In addition, offset against the salary costs of the Director of Public Health were contributions from the Isle of Wight Council as part of the County Council's partnership agreement

8. Officers' Remuneration and Exit Costs

8c Exit Packages

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

Schools 2023/24

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost	Total exit costs in each band £'000
£0 - £20,000	22	43	65	402
£20,001 - £40,000	6	6	12	317
£40,000 - £150,000	3	2	5	295
	31	**51**	**82**	**1,014**

Non-schools 2023/24

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages	Total exit costs in each band £'000
£0 - £20,000	7	20	27	159
£20,001 - £40,000	4	9	13	412
£40,001 - £200,000	3	2	5	424
	14	**31**	**45**	**995**

Schools 2024/25

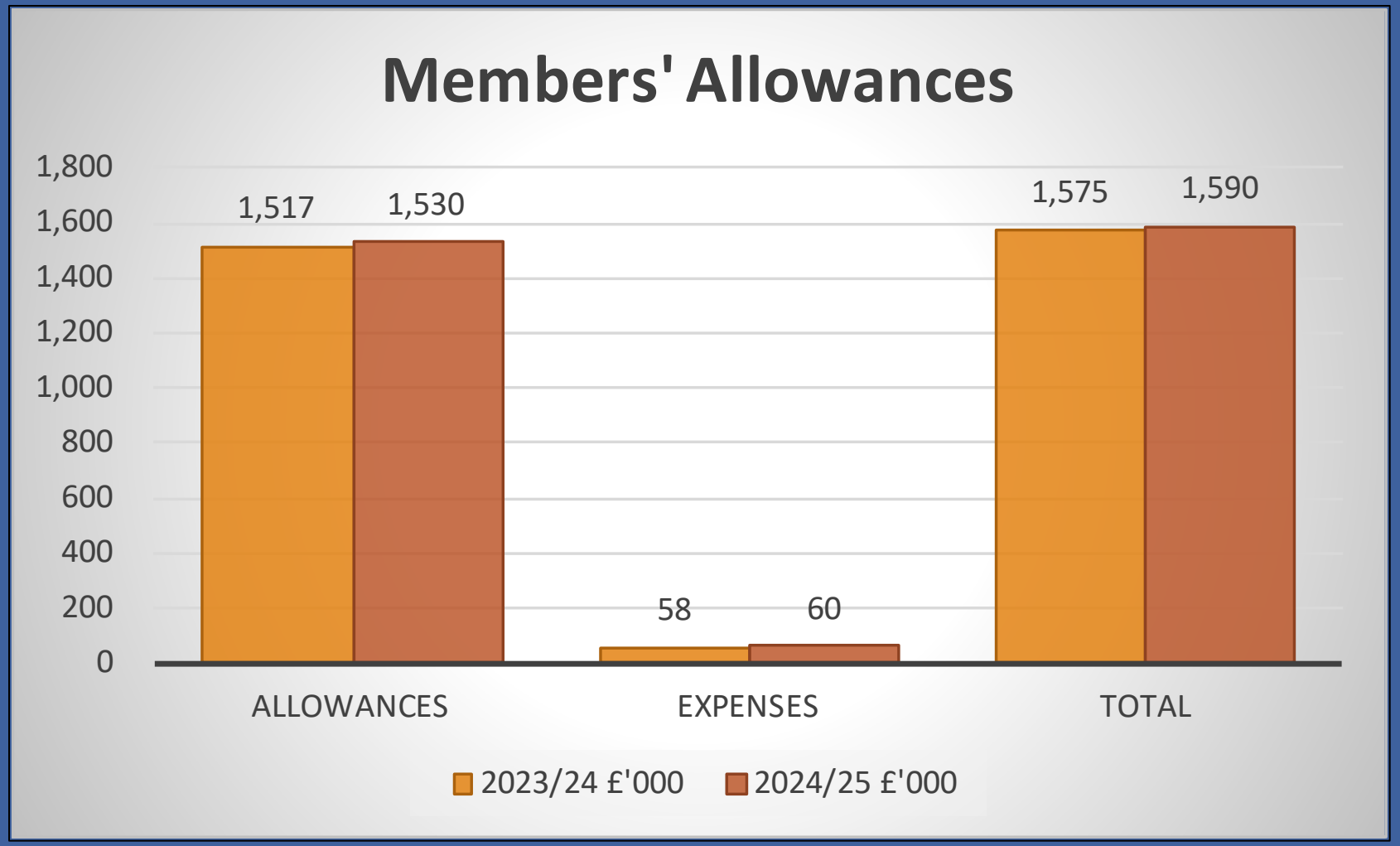
Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages	Total exit costs in each band £'000
£0 - £20,000	61	56	117	623
£20,001 - £40,000	10	4	14	398
£40,001 - £60,000	4	3	7	339
£60,001 - £100,000	3	0	3	232
	78	**63**	**141**	**1,592**

Non-schools 2024/25

Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages	Total exit costs in each band £'000
£0 - £20,000	20	236	256	2,305
£20,001 - £40,000	7	141	148	4,364
£40,001 - £60,000	3	56	59	2,802
£60,001 - £100,000	6	19	25	1,888
£101,001 - £450,000	0	3	3	688
Total number of packages	**36**	**455**	**491**	**12,047**

The increase between 2023/24 and 2024/25 for non-schools mainly reflects the Mutually Agreed Resignation Scheme (MARS) the County Council offered to all staff (excluding school staff) which provided an opportunity to apply to resign from their employment. This will enable the County Council to make recurring savings on pay costs.

9. Members' Allowances



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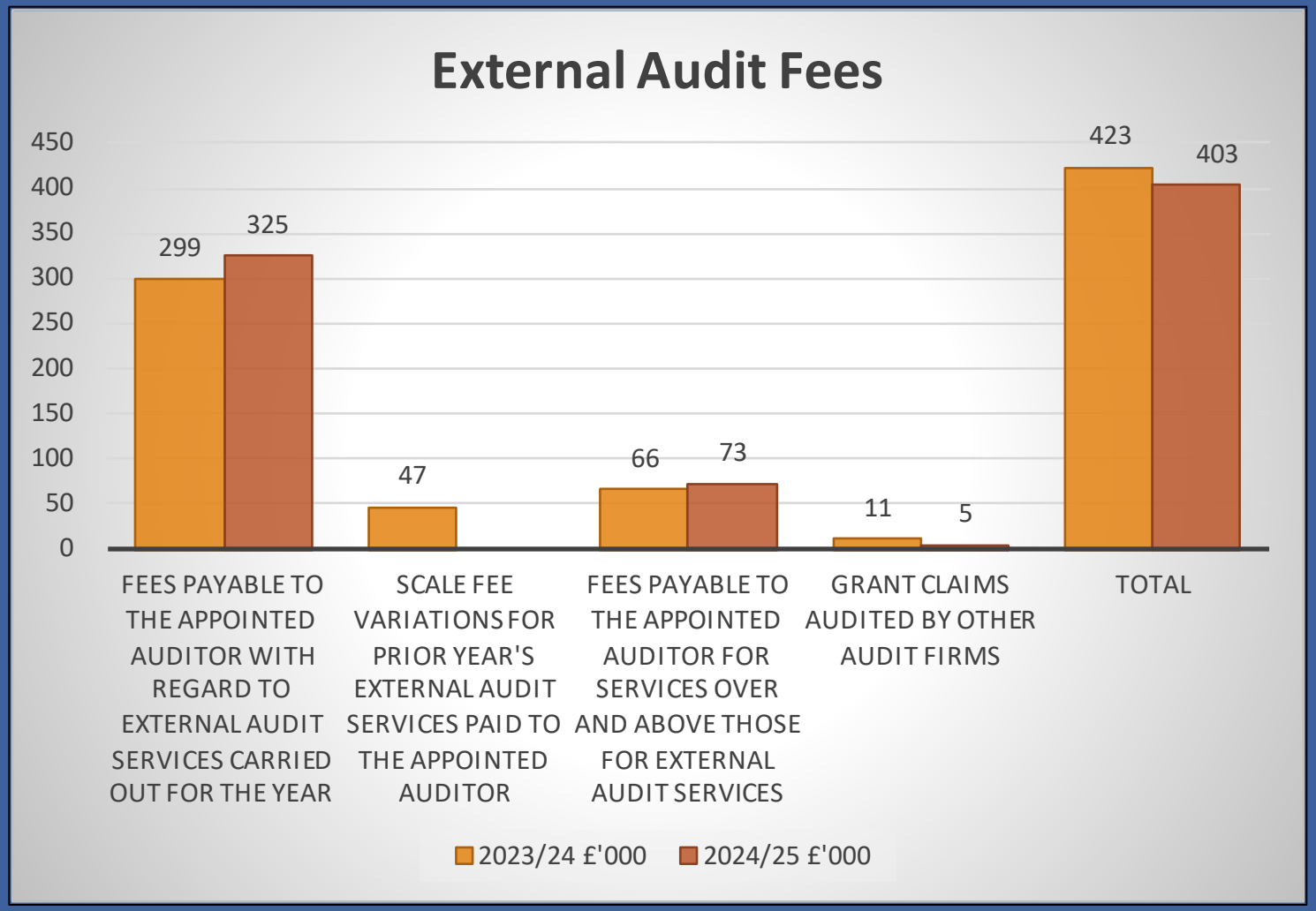
10. External Audit Fees



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11. Nature of Expenses

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

2023/24 £'000		2024/25 £'000	Note
684,420	Employee Benefit Expenses - schools	842,487	a
402,185	Employee Benefit Expenses - other	571,401	a
1,464,220	Other Service Expenses	1,683,931	b
218,355	Depreciation and Impairment	236,976	c
2,769,180	**Total Expenditure**	**3,334,795**	
(1,451,719)	Grants, contributions and reimbursements	(1,596,661)	
(237,803)	Fees, charges and other service income	(250,933)	12
(1,689,522)	**Total Income**	**(1,847,594)**	
1,079,658	**Net Cost of Services**	**1,487,201**	

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

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

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

12. Income Received from External Customers

2023/24 £'000		2024/25 £'000
(98,801)	Adults' Health and Care	(111,590)
(58,874)	Schools	(57,315)
(4,521)	Children's Services Non-Schools	(5,225)
(60,252)	Universal Services	(65,347)
(6,736)	Corporate Services	(6,485)
(5,475)	Hampshire 2050	(4,085)
(3,144)	Other items not allocated to services	(886)
(237,803)	**Total income from external customers analysed by service**	**(250,933)**

13. Related Party Transactions

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2024/25 is shown in note 9. Before every decision-making meeting, members are required to disclose any conflicts of interest. If there are any disbursements from an elected member's devolved budget when a disclosure of pecuniary interests is made, then a protocol is in place to ensure that these payments to a related party are countersigned by another elected member who does not have this pecuniary interest. There were 24 related party transactions totalling £17,531 arising from disbursements from members devolved budgets.

Officers

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

Reading Hampshire Property Partnership

Hampshire County Council owns a 51% share in Reading Hampshire Property Partnership Ltd (RHPP), which commenced operations on 1 April 2014. This is a public to public venture, based on the Teckal principle, to provide property services to Reading Borough Council. The Board of Directors is made up of two Assistant Directors from Hampshire County Council and one from Reading Borough Council. The turnover during 2024/25 was £1.5 million (£2.7 million 2023/24).

From 1 April 2025 the RHPP has ceased trading and will be dissolved. HCC's share of any residual assets of RHPP will be received in the 2025/26 financial year after the winding up process is complete.

Hampshire & Kent Commercial Services LLP

The County Council has a 50% share of Hampshire & Kent Commercial Services LLP incorporated on 1 November 2018. This joint operation commenced operations on 1 April 2019 for the purposes of creating a new agency staff solution primarily for Hampshire and Kent County Councils. During 2024/25, Hampshire County Council spent £39.7m (£39.6m 2023/24) on agency provision and this expenditure is included in the consolidated income and expenditure statement (CIES). The estimated net profit of the partnership for the year is £1.1m (subject to audit) which would result in an estimated dividend for the Authority of £536,500. However, until the accounts of the partnership are audited and finalised the amount of dividend cannot be confirmed, therefore this will be recognised as income in the CIES in the following year.

Other Public Bodies

The County Council administers the Hampshire Pension Fund on behalf of its non-teaching employees and those of other local authorities in the county area. In 2024/25 there were a total of 402 contributing scheduled, admitted, community admission, transferee admission, and resolution bodies in the Pension Fund (357 in 2023/24). The County Council's administration charge to the Pension Fund in 2024/25 was £4.12m (£3.9m in 2023/24).

13. Related Party Transactions

Manydown Garden Communities LLP

The County Council is an equal partner with Basingstoke and Deane Borough Council in the Manydown Garden Communities Limited Liability Partnership (MGCLLP) which was first registered on 6 August 2018. MGCLLP has been set up to act on behalf of the two councils in the Manydown development. http://manydownbasingstoke.co.uk/

Following the joint purchase of the freehold of a site known as 'Manydown North' by The County Council and Basingstoke and Deane Borough Council in October 2024 there was an immediate sale of the development site to MGCLLP. The Manydown Development Vehicle Ltd (see note below) will develop the site infrastructure and facilitate onward sale of land parcels from MGCLLP to house builders.

Manydown Development Vehicle Limited

Through its partnership with Basingstoke and Dean Borough Council in MGCLLP, the County Council is also related to the Manydown Development Vehicle Limited (MDVL). MDVL is 50% owned by MGCLLP and 50% owned by Urban & Civic Manydown Limited. MDVL was first registered on 14 August 2019.

At 31 March 2025 the County Council had loans and accrued interest with MGCLLP and MDVL as per the following table:

	Manydown Garden Communities LLP	Manydown Development Vehicle Limited	Total
	£'000	£'000	£'000
Gross Balance of Loans	23,680	5,068	28,748
Accrued interest	190	1,824	2,014
Expected Credit Losses	(847)	(508)	(1,355)
Soft loan adjustment	(1,904)	0	(1,904)
Net balance of loans	**21,119**	**6,384**	**27,503**

14. Collaborative Arrangements

In accordance with the Code of Practice the County Council has carried out an assessment of its interests in other entities to determine the nature of any group relationships that exist. This includes an assessment of the extent of the County Council's control over the entity considered either through ownership (such as shareholding) or representation on an entity's board of directors. The main interests held by the County Council in other entities are detailed below.

Reading Hampshire Property Partnership (RHPP)

The County Council owns a 51% share of the RHPP which was formally incorporated on 4 March 2014 with Companies House. This is a joint public to public venture entirely owned by Hampshire County Council and Reading Borough Council and is limited by shares. It commenced operations in April 2014 and its financial impact on the County Council is anticipated to be immaterial following the elimination of intragroup transactions, therefore the RHPP has not been consolidated into group accounts. RHPP ceased trading from 1 April 2025.

Hampshire & Kent Commercial Services LLP

The County Council has a 50% share of Hampshire & Kent Commercial Services LLP incorporated on 1 November 2018. This joint operation commenced operations on 1 April 2019 for the purposes of creating a new agency staff solution primarily for Hampshire and Kent County Councils. The estimated net profit of the partnership for the year is £1.1m (subject to audit). Any share of the profit is immaterial to the County Council and therefore the Hampshire & Kent Commercial Services LLP has not been consolidated into group accounts.

Manydown Garden Communities Limited Liability Partnership (MGCLLP)

MGCLLP is a joint venture between Hampshire County Council and Basingstoke and Deane Borough Council, and was established to act on behalf of the two councils on the Manydown development. From 2024/25 the County Council's 50% of the assets and liabilities of the joint venture are material and therefore group accounts have been prepared. These can be found in the separate Group Accounts section. Further information on transactions relating to Manydown can be found in the Related Party Transactions section of the accounts.

14. Collaborative Arrangements

Other Arrangements

During 2024/25 the County Council has pooled budget arrangements with NHS bodies and joint working agreements with Hampshire Constabulary, Hampshire Fire and Rescue Service, Oxfordshire County Council, Westminster City Council, London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea. These involve joint use of the assets and resources of each organisation rather than the establishment of a separate entity.

The County Council recognises the assets that it controls and the liabilities that it incurs on its Balance Sheet, and the expenditure it incurs and the share of income it earns from the activity of the operation on its Comprehensive Income and Expenditure Statement. No group accounts are required.

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

15. Structured Entities – Hampshire Cultural Trust

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

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

Nature of risks

The maximum exposure to loss from the Trust is the annual grant paid to the Trust for services not yet delivered. At 31 March 2025 the exposure to risk was nil as the service had been received. Future risk is minimised by the terms within the Management and Funding Agreement between the County Council and the Trust.

2023/24 £'000		2024/25 £'000
60,075	Operational land and buildings retained by the County Council and used by the Trust	55,635
2,898	Community assets retained by the County Council and used by the Trust	2,898
(2,912)	Annual County Council revenue grant provided to the Trust	(2,502)
(5,398)	Other unrestricted income received by the Trust	(5,837)
7,921	Unrestricted expenditure by the Trust	8,471
(1,241)	Trusts' unrestricted reserves	(949)

16. Capital Financing

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

Capital Financing Requirement

The total amount of capital expenditure incurred in the year is shown in the table. This includes Right of Use assets brought onto the balance sheet following the mandatory adoption of the new accounting standard for leases (IFRS 16) from April 2024.

Where new capital expenditure will be financed in future years by charges to revenue as Minimum Revenue Provision (MRP), the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The table shows how expenditure has been funded from existing resources and the Minimum Revenue Provision (MRP) charges for capital expenditure incurred in previous years.

The CFR is calculated in a manner consistent with Paragraph 90 of the Prudential Code (2021). MRP is charged in accordance with relevant regulations and guidance as set out within the County Council's MRP Statement in its Capital and Investment Strategy.

2023/24 £'000		2024/25 £'000
749,661	*Opening capital financing requirement*	**723,982**
	Adoption of IFRS 16 from 1 April 2024	13,820
	Capital investment:	
162,213	Capital spending on property, plant and equipment	180,886
34,038	Revenue expenditure funded by capital under statute	64,598
0	Manydown land transaction	12,750
0	Loans advanced for capital expenditure	768
0	Leases under IFRS 16	818
0	Revaluation of PFI assets	2,380
	Funded by:	
(20,877)	Capital receipts	(14,282)
(169,108)	Grants and other income	(198,518)
	Manydown land transaction	(12,750)
0	Revenue and reserves	0
(31,945)	Minimum revenue provision	(31,917)
723,982	**Closing capital financing requirement**	**742,535**
	Explanation of movements in year	
(10,824)	Increase/(decrease) in borrowing (supported by government financial assistance)	(11,504)
(6,647)	Increase/(decrease) in borrowing (unsupported by government financial assistance)	23,210
(8,208)	Increase/(decrease) in borrowing related to PFI contracts and leases	6,847
(25,679)	**Increase/(decrease) in Capital Financing Requirement**	**18,553**

17. Leases and Right of Use Assets

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time.

The County Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of implementing IFRS 16 is that it removes the distinction between former operating and finance leases for lessee accounting. Instead for all leases where the County Council is lessee and has control and exclusive rights to use the asset, a 'right of use asset' is recognised on the balance sheet.

Previously, the cost of operating leases was charged to the cost of services in the year that they were paid. Under IFRS 16 these arrangements require a right of use asset and a lease liability to be included on the balance sheet.

In order to identify leases to be considered under IFRS 16, leases are determined individually by carrying out a number of qualitative and quantitative tests and then making a judgement based on the overall outcomes of the tests.

The County Council has applied the exemption that IFRS 16 allows for low value and / or short term leases (defined as those with 12 months or less to run), therefore these leases have not been considered as right of use assets and will continue to be charged to the cost of services in the year that they were paid.

The County Council has also chosen to make use of the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application of IFRS 16.

Lessor accounting is unchanged in IFRS 16, therefore in cases where the County Council is a lessor leases have continued to be considered as operating leases granted.

River Itchen, Winchester

17. Leases and Right of Use Assets

17a Right of Use assets:

The County Council has adopted IFRS 16 from 1 April 2024, this means that in all cases where the County Council is the lessee and has control and exclusive rights to an asset, a right of use asset has been recognised on the balance sheet to reflect the right it has to use the assets and liabilities recognised for the lease payments it has agreed to for that use.

The cost of the right of use asset recognised is determined by the present value of the lease payments made before or at commencement, plus any direct costs relating to setting up the lease, less any incentive payments received by the lessee.

The lease liability recognised is determined by the value of all the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease. If an implicit interest rate cannot be determined, then the County Council applies its incremental borrowing rate, which will be the relevant PWLB loan rate equal to the lease term.

Since the aim of IFRS 16 is to improve the usability of the accounts, the County Council considered materiality and value for money in determining the leases to include on the balance sheet. IFRS 16 includes an exemption for low value assets and short-term leases where the initial lease term is shorter than 12 months or has less than 12 months left to run at 1st April. The County Council has chosen to apply this exemption and the types of assets affected by this decision include items of equipment such as card payment machines and printers, as well as access rights, licences, non-occupancy licences, rent charges and tenancies at will.

The County Council has also chosen to make use of the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application of IFRS 16.

This means there will be instances where the County Council is lessee that do not form part of the Balance Sheet values, but these leases will be immaterial to the understanding of the reader of the accounts.

The future minimum lease payments due under non-cancellable leases for right of use assets in future years are:

		Principal repayment £'000	Interest £'000	Total £'000
This year	2024/25	1,615	556	**2,171**
Next year	2025/26	1,622	485	**2,107**
Years two to five	2026/27 - 2029/30	3,364	1,267	**4,631**
Later than five years	2030/31	4,566	3,844	**8,410**
		11,167	**6,152**	**17,319**

In addition the County Council leases a number of properties at nominal lease value. These are recognised as donated assets. In 24/25 the value of these was £10.2m

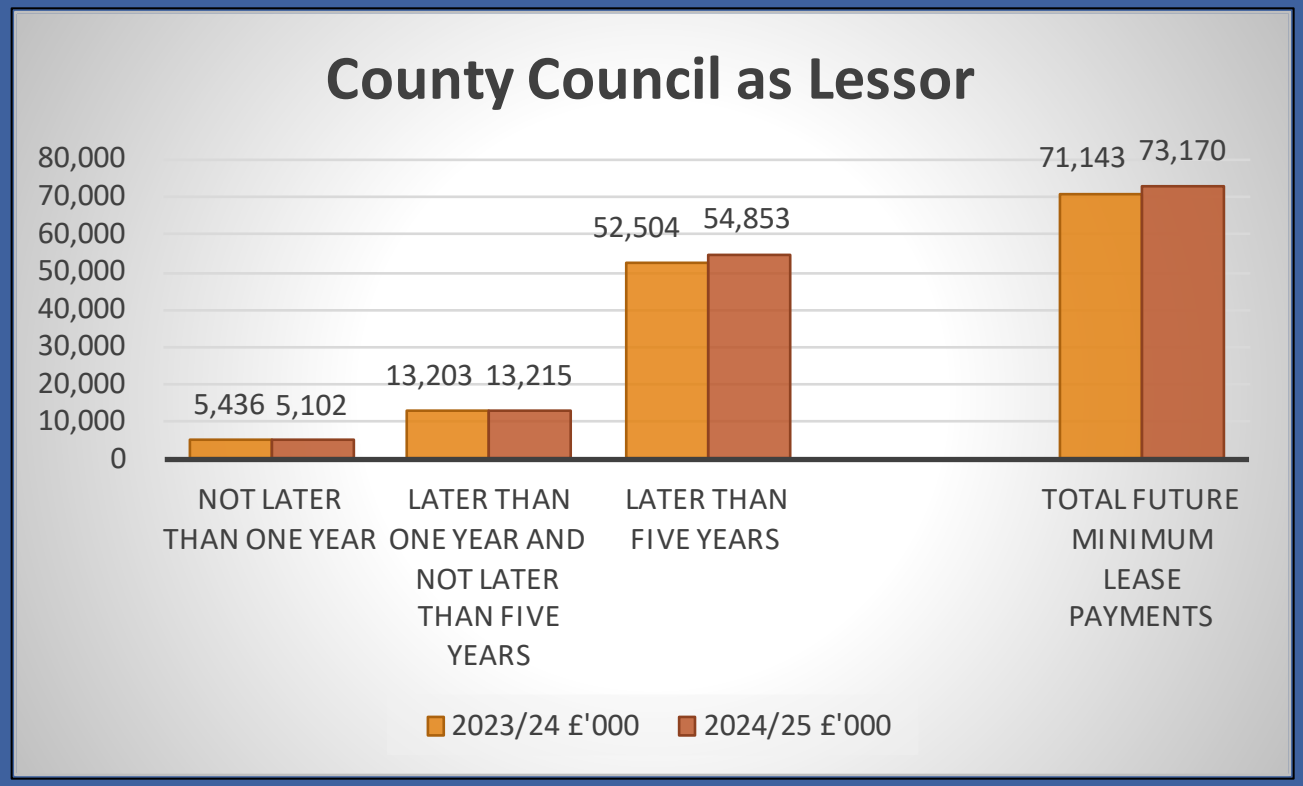
17. Leases and Right of Use Assets

17b The County Council as lessor:

Operating Leases

The County Council leases out property under operating leases for the provision of community services, such as community centres and for economic development purposes to provide suitable affordable accommodation for local businesses. The assets are retained in the Balance Sheet. Rentals receivable are credited to the relevant service area in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease and totalled £5.44m in 2024/25 (£5.27m in 2023/24).

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



18. PFI and Service Concessions

PFI and similar contracts are agreements to receive services, where the contractor is responsible for making available the property, plant and equipment needed to provide the services. As the County Council is deemed to control the services that are provided under its PFI and Service Concession schemes, and as ownership of the property, plant and equipment will pass to the County Council at the end of the contracts for no additional charge, the County Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

1. **Fair value of the services received during the year**

   debited to the relevant service in the Comprehensive Income and Expenditure Statement

2. **Finance cost**

   an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

3. **Principal repayment**

   applied to write down the Balance Sheet liability.

18. PFI and Service Concessions

18a The South Coast Street Lighting PFI

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

The Hampshire Street Lighting PFI involved the replacement or updating of approximately 150,000 street lights, illuminated signs and bollards with the latest energy efficient equipment during the first five years of the project. The combination of modern equipment with the Mayflower remote monitoring system has enabled HCC to make energy savings over the period of the project to date.

The Council's long-term contract with Tay Valley Lighting will run for 25 years until 2034/35, and the focus for the remaining period of the contract is on maintaining and operating the new lighting to a high standard, with HCC's monitoring team verifying project delivery and operations. After March 2035 the risks relating to street lighting revert to the County Council. There are no options for contract renewal.

The movement in the asset values are set out in the table to the right:

Please note for 2024/25 the adjustment to opening balance relates to the adoption of the new accounting standard IFRS 16, which changes how PFI assets are recorded on the balance sheet.

2023/24 £'000		2024/25 £'000
	Gross book value	
127,810	At 1 April	127,810
0	Adjustment to Opening Balance	1,636
127,810	Revised value as at 1st April 2024	129,446
0	Additions	1,324
0	Disposals	0
0	Revaluations	0
127,810	Gross book value at 31 March	130,770
	Depreciation	
(40,809)	At 1 April	(45,069)
(4,260)	Depreciation for the year	(4,510)
0	Impairments	0
(45,069)	Depreciation at 31 March	(49,579)
87,001	Net book value at 1 April	84,377
82,741	**Net book value at 31 March**	**81,191**
	The movement in the deferred liability was:	
(83,245)	Balance brought forward 1 April	(79,210)
0	Adjustment to Opening Balance	(1,636)
(83,245)	Revised value as at 1st April 2024	(80,846)
4,035	Principal repayment in the year	3,943
0	Revaluation	(1,324)
(79,210)	**Balance at 31 March**	**(78,227)**
(4,415)	Finance lease repayable in one year	(4,487)
(74,795)	Deferred liability	(73,740)
(79,210)		**(78,227)**

18. PFI and Service Concessions

A PFI grant of £9 million from the Department of Transport was received by the County Council in 2024/25 with a balance of £94 million due to be received over the remainder of the contract. This grant is expected to be applied to offset the capital and financing costs built into the annual fee.

Energy for street lighting is provided through a separate contract.

Expected payments

The street lighting contract has 10 years to run. The expected payments are shown in the following table:

The principal for future years contains an estimate for the impact of inflation and therefore does not match the deferred liability as at the balance sheet date.

	Principal repayment £'000	Interest £'000	Service Charge £'000	Total £'000
Next year	4,487	9,281	6,900	20,668
Years two to five	25,046	32,441	28,897	86,384
Years six to ten	55,563	21,016	38,644	115,223
	85,096	**62,738**	**74,441**	**222,275**

18. PFI and Service Concessions

18b Project Integra

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

Southampton and Portsmouth City Councils commit to paying a proportion of the costs of the scheme, which is broadly based on the proportion of waste contributed by each of the partner Councils.

The contract has three phases and we are currently in Phase 3a covering the provision of waste disposal services ending in 2030. During phases 1 and 2 the contractor planned, financed and constructed the three Energy Recovery Facilities, two Material Reprocessing Facilities and two composting sites.

For sites built on County Council land the contract requires their transfer to the County Council at the end of the contract. If the continued use of sites on land owned by Portsmouth or Southampton Councils is required then this will be subject to negotiation at contract end. Contractor or third party owned sites may be acquired at contract end through assignment of leases, or options to purchase as negotiated at the time.

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

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

Please note for 2024/25 the adjustment to opening balance relates to the adoption of the new accounting standard IFRS 16, which changes how PFI assets are recorded on the balance sheet.

2023/24 £'000		2024/25 £'000
	Gross book value	
80,469	At 1 April	92,344
0	Adjustment to Opening Balance	(3,530)
80,469	Revised value as at 1st April 2024	88,814
0	Additions	1,056
0	Disposals	0
11,875	Revaluations	1,908
92,344	Gross book value at 31 March	91,778
	Depreciation	
(25,580)	At 1 April	(5,365)
	Adjustment to Opening Balance	5,365
	Revised value as at 1st April 2024	-
(5,365)	Depreciation for the year	(6,908)
0	Impairments	0
25,580	Revaluations	-
(5,365)	Depreciation at 31 March	(6,908)
54,889	Net book value at 1 April	88,814
86,979	**Net book value at 31 March**	**84,870**
	The movement in the deferred liability was:	
(38,146)	Balance brought forward 1 April	(33,973)
0	Adjustment to Opening Balance	(1,835)
(38,146)	Revised value as at 1st April 2024	(35,808)
4,173	Principal repayment in the year	4,613
0	Revaluation	(1,056)
(33,973)	**Balance at 31 March**	**(32,251)**
(4,376)	Finance lease repayable in one year	(5,001)
(29,597)	Deferred liability	(27,250)
(33,973)	**Balance at 31 March**	**(32,251)**

The waste management contract has 6 years to run. Based on the current contract inflation rate, the expected payments are shown below. The principal for future years contains an estimate for the impact of inflation and therefore does not match the deferred liability as at the balance sheet date.

	Principal repayment £'000	Interest £'000	Service Charge £'000	Total £'000
Next year	5,001	1,569	52,470	59,040
Years two to five	24,543	3,992	227,897	256,432
Year six	5,543	270	63,937	69,750
	35,087	**5,831**	**344,304**	**385,222**

19. Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

19. Property, Plant and Equipment

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

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

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

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

19. Property, Plant and Equipment

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

- The County Council considers the highways network an inalienable asset, as there is no prospect of sale or alternative use, and value is only derived through its continued use.
- There are historical information deficits for a number of reasons, including various changes to accounting requirements since the 1990s reflected in updates to the CIPFA Code of Practice in addition to the impact of local government reorganisation and the associated transfer of assets.
- Infrastructure assets are measured using depreciated historical cost, with the carrying amount of any replaced or restored part of the asset assumed to be zero. The County Council has not had sufficient resources to replace assets before they have reached the end of their useful life.
- The historical information deficit coupled with the assumption that replaced assets will always have reached the end of their useful life before replacement creates issues in confirming gross book value and accumulated depreciation figures that faithfully represent these figures to users of the financial statements and therefore also in providing auditable evidence. By applying the temporary relief, the County Council does not have to disclose gross book value or accumulated depreciation figures for its infrastructure assets.
- The assumption that the carrying amount of any replaced or restored part of the asset is zero relates to the gross book value and accumulated depreciation figure for the asset. It means that any over/understatement of gross book value caused by historical information deficits would be offset by an equal and opposite amount for accumulated depreciation and therefore has no impact on the carrying amount (net book value) of the asset that is reported on the balance sheet.
- Applying the temporary relief therefore has no impact on the carrying value (net book value) shown in the balance sheet.
- The County Council therefore believes that by applying the temporary relief the numbers presented in this disclosure note provide a more faithful representation of the asset position to users of the accounts and, as the net book value is not affected, should not adversely affect the decision making of users of the financial statements
- The carrying value of the asset on the balance sheet does not impact the County Council's decision making as it is not used to inform the capital or revenue budgets (and nor therefore the council tax requirement), nor does it impact the work of the County Council's Highways team in assessing the condition of the highways network and the amounts required to maintain and enhance the network to maintain it to the relevant safety requirements.

19. Property, Plant and Equipment

Impairment

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

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

However, revaluation losses and subsequent reversals are not permitted by statutory arrangements to impact on the General Fund Balance and therefore any gains or losses are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.

Depreciation

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

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

19. Property, Plant and Equipment

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

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer **
- Furniture and equipment
    - IT equipment – 3 years
    - General furniture – 3 years
    - Specific equipment – 10 years
- Vehicles - between five and 10 years
- Infrastructure –
    - Bridges - 120 years
    - Other Infrastructure Assets – 25 years
- Street lighting – 30 years

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

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

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

19. Property, Plant and Equipment

Disposals and assets held for sale

When a material PPE asset is to be disposed of, and meets all of the criteria of an asset held for sale, it is reclassified as an Asset Held for Sale. If the carrying amount at the time of reclassification is higher than the fair value less costs to sell the asset, then the asset held for sale will be impaired. This impairment is charged to other costs in the Comprehensive Income and Expenditure Statement.

Assets that do not meet the criteria of an asset held for sale, or have fully depreciated are written out without being reclassified.

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

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

School Assets

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

Details on the different types of schools in Hampshire can be found on the government website:

https://get-information-schools.service.gov.uk/

19. Property, Plant and Equipment

Heritage assets

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

It is the County Council's opinion that due to the size and variety of the museum and archives collection and the fact that many of the items are unique and irreplaceable, it is not possible to obtain a fair value at a cost commensurate to the benefit derived by the users of the accounts. Therefore, asset values are not included in the balance sheet.

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

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

https://hampshireculturaltrust.org.uk/

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

Right of use assets

Right of Use Assets are assets that the County Council has leased and to which it has both control and exclusive rights to their use. In these cases, the County Council recognises these assets at cost on the balance sheet. The cost is determined by the present value of the lease payments made before or at commencement, plus any direct costs relating to setting up the lease, less any incentive payments received by the lessee.

Intangible assets

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

19. Property, Plant and Equipment

The movements in property plant and equipment during the year are shown in the following table.

In accordance with the temporary arrangements for the reporting of infrastructure assets, these are not shown in the table and are instead reported separately on a subsequent page.

Capital Commitments

Commitments for major contracts entered into up to 31 March 2025 are estimated at £111.0 million (£47.3 million in 2023/24). This includes £84.6 million (£37.0 million in 2023/24) for highways and £26.4 million (£10.3 million in 2023/24) for buildings.

Note i – Adjustments to opening balance relate to the implementation of IFRS 16 and write back of in year depreciation on revalued assets. The IFRS 16 adjustments were former finance leases that have been reclassified from 'Land and Buildings' to 'Right of Use Land and Buildings', and former operating leases not formerly in the PPE note have been included in 'Right of Use Land & Buildings'. The adjustmenr to write back of in year depreciation for revalued assets has no impact on the NBV of the assets of the assets or any other sections of the accounts

	Land and Buildings	Right of Use	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets under construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property Plant & Equipment
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2024	**3,796,005**	**0**	**46,316**	**17,257**	**109,798**	**85,196**	**4,054,572**	**220,154**
Adjustment to opening balance (note i)	(203,525)	297,018					**93,493**	**(1,894)**
Revised value as at 1st April 2024	**3,592,480**	**297,018**	**46,316**	**17,257**	**109,798**	**85,196**	**4,148,065**	**218,260**
Additions in year	30,766	3,587	6,821	545	54,769	357	**96,845**	2,380
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(45,562)	(8,582)	0	0	0	4,616	**(49,528)**	1,908
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,117)	0	0	0	0	(436)	**(9,553)**	0
Derecognition - Disposals	(233,242)	0	(8,713)	0	0	0	**(241,955)**	0
Derecognition - Other	(37,355)	0	(38)	0	0	0	**(37,393)**	0
Assets reclassified to held for sale	(3,543)	0	0	0	0	0	**(3,543)**	0
Other movements in cost or valuation	(9,119)	0	0	0	(99,985)	15,202	**(93,902)**	0
At 31 March 2025	**3,285,308**	**292,023**	**44,386**	**17,802**	**64,582**	**104,935**	**3,809,036**	**222,548**
Accumulated depreciation and Impairment								
At 31 March 2024	**(377,948)**	**0**	**(23,742)**	**(242)**	**0**	**(4,141)**	**(406,073)**	**(50,434)**
Adjustment to opening balance (note i)	62,685	(49,411)					**13,274**	**5,365**
Revised value as at 1st April 2024	**(315,263)**	**(49,411)**	**(23,742)**	**(242)**	**0**	**(4,141)**	**(392,799)**	**(45,069)**
Depreciation Charge	(87,254)	(14,856)	(6,861)	0	0	(194)	**(109,165)**	(11,418)
Depreciation written out on revaluation	78,955	4,414	0	0	0	1,503	**84,872**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	272	0	0	0	0	0	**272**	0
Impairment losses recognised in the Revaluation Reserve	(4,400)	0	0	0	0	0	**(4,400)**	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(9,321)	0	0	0	0	0	**(9,321)**	0
Derecognition - Disposals	35,193	0	8,064	0	0	0	**43,257**	0
Derecognition - Other	10,731	0	7	0	0	0	**10,738**	0
Assets reclassified to held for sale	1,255	0	0	0	0	0	**1,255**	0
Other movements in depreciation and impairment	848	0	0	0	0	(861)	**(13)**	0
At 31 March 2025	**(288,984)**	**(59,853)**	**(22,532)**	**(242)**	**0**	**(3,693)**	**(375,304)**	**(56,487)**
Net Book Value								
At 31 March 2025	**2,996,324**	**232,170**	**21,854**	**17,560**	**64,582**	**101,242**	**3,433,732**	**166,061**

19. Property, Plant and Equipment

The comparative PPE information from the previous year is shown in the table to the right.

Cost or valuation	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets under construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2023	**3,866,113**	**72,792**	**17,009**	**113,586**	**14,306**	**4,083,806**	**208,279**
Adjustment to opening balance						**0**	
Revised value as at 31 March 2023	**3,866,113**	**72,792**	**17,009**	**113,586**	**14,306**	**4,083,806**	
Additions in year	20,576	7,007	248	54,188	0	**82,019**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,759)	0	0	0	(37,311)	**(44,070)**	11,875
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(18,754)	0	0	0	(2,548)	**(21,302)**	0
Derecognition - Disposals	(13,767)	(33,376)	0	(506)	(1,191)	**(48,840)**	0
Derecognition - Other	(62,355)	(487)	0	0	0	**(62,842)**	
Assets reclassified to held for sale	(1,337)	0	0	0	0	**(1,337)**	0
Other movements in cost or valuation	12,288	380	0	(57,470)	111,940	**67,138**	0
At 31 March 2024	**3,796,005**	**46,316**	**17,257**	**109,798**	**85,196**	**4,054,572**	**220,154**
Accumulated depreciation and Impairment							
At 31 March 2023	**(408,703)**	**(37,992)**	**(242)**	**0**	**(1,536)**	**(448,473)**	**(66,389)**
Adjustment to opening balance						**0**	
Revised value as at 31 March 2023	**(408,703)**	**(37,992)**	**(242)**	**0**	**(1,536)**	**(448,473)**	
Depreciation Charge	(91,818)	(19,225)	0	0	(229)	**(111,272)**	(9,625)
Depreciation written out on revaluation	122,668	0	0	0	15	**122,683**	25,580
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,147	0	0	0	0	**1,147**	0
Impairment losses recognised in the Revaluation Reserve	(16,465)	0	0	0	(484)	**(16,949)**	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(4,069)	0	0	0	(956)	**(5,025)** **0**	0
Derecognition - Disposals	7,124	33,301	0	0	121	**40,546**	0
Derecognition - Other	11,968	174	0	0	0	**12,142**	0
Assets reclassified to held for sale	202	0	0	0	0	**202**	0
Other movements in depreciation and impairment	(2)	0	0	0	(1,072)	**(1,074)**	0
At 31 March 2024	**(377,948)**	**(23,742)**	**(242)**	**0**	**(4,141)**	**(406,073)**	**(50,434)**
Net Book Value							
At 31 March 2024	**3,418,057**	**22,574**	**17,015**	**109,798**	**81,055**	**3,648,499**	**169,720**

19. Property, Plant and Equipment

Highways Network Infrastructure Assets

Movement on balances	2023/24 £'000	2024/25 £'000
Net Book Value (Modified Historical Cost) at 1 April	**1,010,041**	**1,051,652**
Adjustment to Opening Balance (note i)	0	(82,737)
Revised value as at 1st April 2024	**1,010,041**	**968,915**
Additions	80,081	87,240
Depreciation	(48,937)	(47,434)
Other movements in cost	10,467	93,783
Net Book Value as at 31 March	**1,051,652**	**1,102,504**

Reconciling note to the PPE value shown on the Balance Sheet

	31 March 2024 £'000	31 March 2025 £'000
Highways Network Infrastructure assets	1,051,652	1,102,504
Other PPE	3,648,499	3,433,732
Total PPE	**4,700,151**	**4,536,236**

Note i – the adjustment to opening balances relates to the removal of street lighting assets from this table. On the adoption of IFRS 16 from 1 April 2024, these assets are no longer classified as infrastructure assets and are instead classified as Right of Use assets included in the main PPE table.

20. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between separate and knowledgeable parties. Further information on asset valuations is included in note 30.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

In estimating the fair value of that authority's investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

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

The following table summarises the movement in the fair value of investment properties over the year. The purchases figure for 2024/25 relates to the land transactions related to the freehold land at Manydown North where the County Council and Basingstoke & Deane Borough Council purchased and immediately transferred land to Manydown Garden Communities LLP, shown as part of the disposals figure.

2023/24 £'000		2024/25 £'000
135,895	Balance at start of the year	57,564
	Additions:	
61	- purchases	12,750
(157)	- construction	0
(565)	Disposals	(41,130)
252	Net gains/(losses) from fair value adjustments	697
	Transfers:	
(77,922)	- (to)/from Property, Plant and Equipment	(149)
57,564	**Balance at end of the year**	**29,732**

There are no restrictions on the County Council's ability to realise the value inherent in its investment property or on the County Council's right to the remittance of income and the proceeds of disposal.

21. Valuation of Non-Financial Assets Carried at Fair Value

Fair Value Hierarchy

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

Values at 31 March 2025	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Investment Assets	0	29,705	27	29,732
Surplus Assets	0	74,961	26,281	101,242
Total	**0**	**104,666**	**26,308**	**130,974**

Valuation Techniques used to Determine Level 2 and 3 Fair Values

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

The fair value for the properties within level 3 has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets, but with a level of valuer judgement as the recent sales prices and other relevant information are not as significant as with Level 2. This results in more significant unobservable inputs being used in order to determine the fair value.

The assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

22. Financial Instruments

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

Financial assets

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

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

The classification categories are set out in the following table:

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

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

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

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

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

22. Financial Instruments

Financial liabilities

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

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

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

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

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

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

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

22. Financial Instruments

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

	Long term		Current		
	31 March 2024	31 March 2025	31 March 2024	31 March 2025	see
Financial assets:	**£'000**	**£'000**	**£'000**	**£'000**	*note*
Investments:					
At amortised cost					
- Principal	107,630	40,173	142,482	128,008	
- Accrued interest	0	0	3,111	1,485	
At Fair Value through profit & loss					
- Fair value	108,104	110,893	10,022	10,110	
Total investments	**215,734**	**151,066**	**155,615**	**139,603**	
Cash & cash equivalents:					
- Cash (including bank accounts)	0	0	(28,962)	(93,748)	
- At amortised cost	0	0	2,870	49	
- At Fair Value through Profit & Loss	0	0	93,080	112,170	
Total cash and cash equivalents	0	0	**66,988**	**18,471**	*22a*
Loans & receivables - Debtors	20,537	40,954	149,308	131,918	
Total debtors	**20,537**	**40,954**	**149,308**	**131,918**	
Total Financial Instrument Assets	**236,271**	**192,020**	**371,911**	**289,992**	
Financial liabilities at amortised cost:					
Borrowing	(162,003)	(153,000)	(66,257)	(71,647)	*22d*
Developers' contributions	(168,665)	(155,505)	0	0	*22f*
Creditors and receipts in advance	0		(161,894)	(125,888)	*22g*
PFI & other deferred liabilities	(104,392)	(113,766)	(8,791)	(11,110)	*22i*
Financial liabilities at amortised cost	**(435,060)**	**(422,271)**	**(236,942)**	**(208,645)**	

22. Financial Instruments

22a Cash and cash equivalents

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

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

31 March 2024 £'000		31 March 2025 £'000
408	Cash in hand	1,209
2,870	Cash equivalents measured at amortised cost	49
93,080	Cash equivalents measured at fair value through profit & loss	112,170
(28,778)	Uncleared BACS payments	(30,892)
(592)	Bank overdraft*	(64,065)
66,988		**18,471**

Please note that we have changed the presentation to separate uncleared BACS payments from bank overdraft for 2024/25, and have therefore restated the prior year figure to aid comparability.

*Our bank has taken responsibility for an error on 31 March 2025, in which our bank balances were incorrectly reported to us. This affected decisions made as part of our daily treasury management activity as activity was carried out on the basis of an incorrect starting balance. Therefore, the value of cash and cash equivalents at the end of 2024/25 is significantly lower than it would have been if the banking error had not occurred (and correspondingly our short-term investments figure is higher than it would otherwise have been by an offsetting amount). This explains the increased overdraft in the table above.

22b Material Soft Loans Advanced

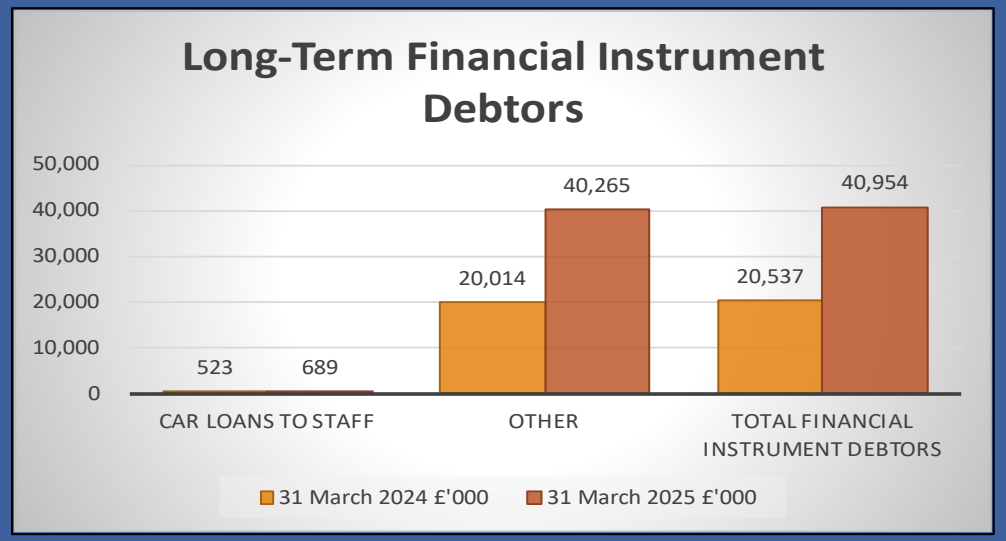
One of the loans made by the Council to Manydown Garden Communities LLP, a joint venture, is deemed to be a material soft loan as it is an interest free loan.

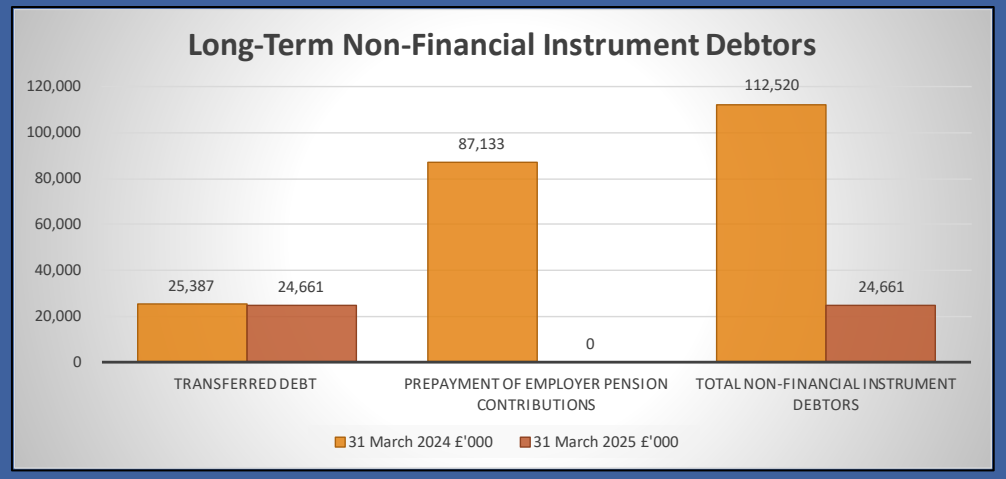
This loan is secured against the value of the Manydown North site and will be fully repaid to the County Council by November 2029.

For further information on Manydown please see the related party transactions section of the accounts.

	2024/25 £'000
Opening balance at start of year	**0**
Nominal value of new soft loans	10,000
Fair value adjustment on initial recognition	(1,904)
Expected Credit Loss adjustment	(344)
Closing balance at end of year	**7,752**

22. Financial Instruments





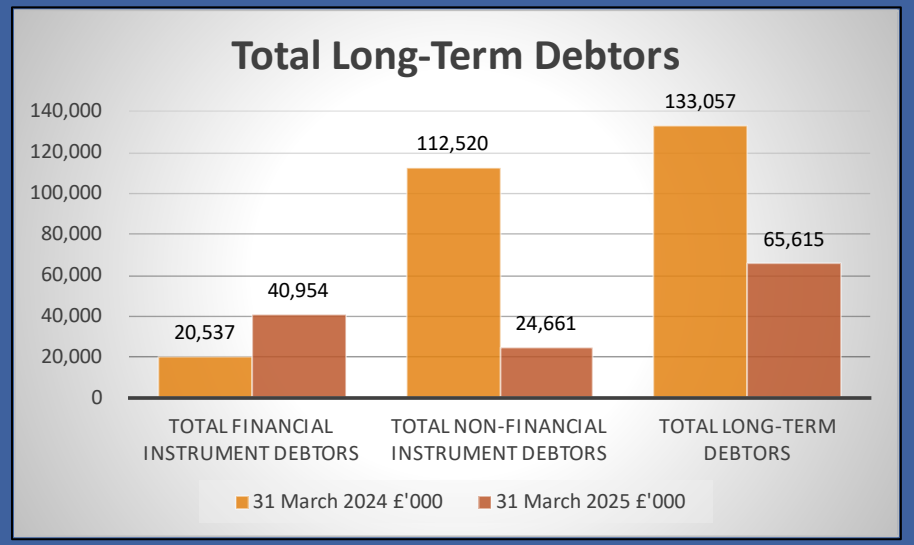
22c Long Term Debtors

Long term debtors are split between financial and non-financial instruments.

The financial instrument long-term debtors are mainly loans made in relation to Manydown (please see the related party transactions section) and those granted by the former EM3 LEP.

The non-financial instrument long-term debtors are made up of transferred debt. This represents the amounts of capital advances due to be repaid after statutory transfers of former services to Portsmouth and Southampton Unitary Authorities. These are shown at the book value of the amount outstanding.

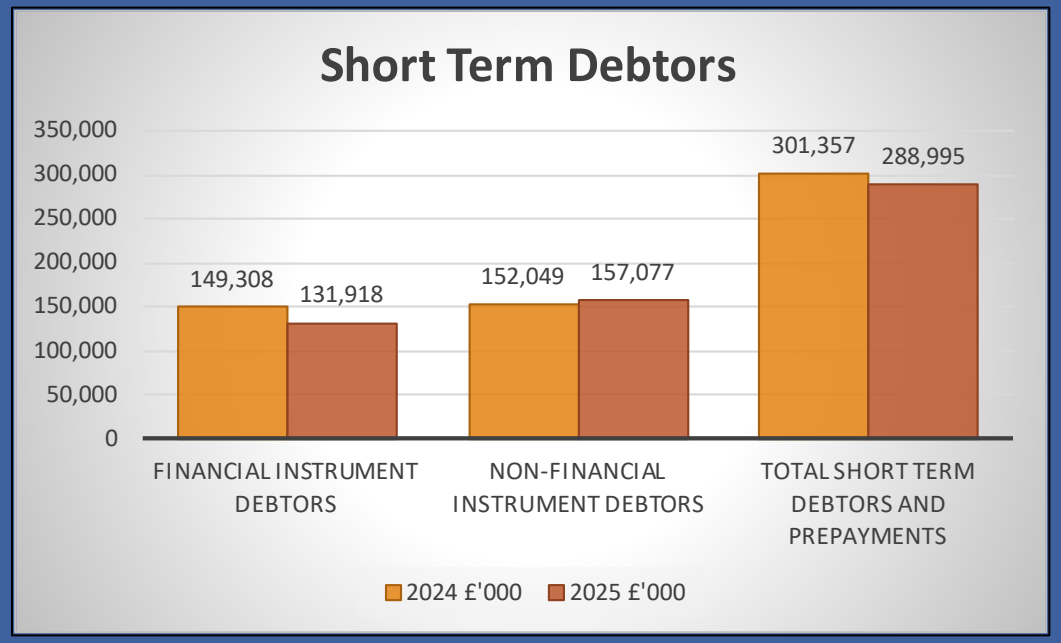
In 2023/24 the County Council recognized a long-term prepayment of employer pension contributions after pre-paying three year's worth of contributions in April 2023 covering the period of 2023/24 – 2025/26. However at 31 March 2025 there is no long-term prepayment, with the value of pre-paid contributions for 2025/26 shown as a short-term prepayment.



22. Financial Instruments

22d Short-term debtors

Debtors are shown net of the expected loss allowance for receivables detailed in note 22j.



22e Borrowing

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

Long term			Short term	
31 March 2024 £'000	31 March 2025 £'000		31 March 2024 £'000	31 March 2025 £'000
		Loans at amortised cost:		
(150,000)	(141,000)	-Public Works Loan Board (PWLB)	(11,314)	(10,222)
(12,003)	(12,000)	-Market loans	(177)	(174)
		-Other short-term borrowing	(54,766)	(61,251)
(162,003)	**(153,000)**		**(66,257)**	**(71,647)**

22. Financial Instruments

22f Fair values

Fair Value Measurement

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

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

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

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

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

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

22. Financial Instruments

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

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

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

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

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

2023/24				2024/25	
Balance Sheet £'000	**Fair Value £'000**		Fair Value Level	**Balance Sheet Sheet £'000**	**Fair Value £'000**
93,080	93,080	Money market funds	1	112,170	112,170
47,838	47,838	Equity, bond and multi-asset funds	1	50,003	50,003
70,288	70,288	Property funds	2	71,000	71,000
211,206	**211,206**	**Total**		**233,173**	**233,173**
		Financial Assets held at amortised cost:			
87,630	88,828	Corporate & government bonds	1	20,173	20,509
16,202	16,736	Long-term company loans	3	38,429	38,162
21,626	20,611	Long-term loans to local authorities & housing associations	2	20,528	17,990
125,458	**126,175**	**Total**		**79,130**	**76,661**
271,518		Assets for which fair value is not disclosed - (note i)		169,709	
608,182	**337,381**	**Total financial instrument assets**		**482,012**	**309,834**
		Recorded on balance sheet as:			
215,734		Long-term investments		151,066	
20,537		Long-term debtors		40,954	
155,615		Short-term investments		139,603	
149,308		Short-term debtors		131,918	
66,988		Cash and cash equivalents		18,471	
608,182		**Total financial instrument assets**		**482,012**	

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

22. Financial Instruments

2023/24				2024/25	
Balance sheet £'000	Fair Value £'000	Financial Liabilities	Fair Value Level	Balance sheet £'000	Fair Value £'000
(160,000)	(158,417)	PWLB loans - principal	2	(150,000)	(145,154)
(1,314)		PWLB loans - interest		(1,222)	
(12,003)	(11,431)	Market loans - principal	2	(12,000)	(10,876)
(177)		Market loans - interest		(174)	
(173,494)	**(169,848)**	**Total**		**(163,396)**	**(156,030)**
(498,508)		Liabilities for which fair value is not disclosed (note ii)		(467,520)	
(672,002)		**Total financial instrument liabilities**		**(630,916)**	
		Recorded on balance sheet as:			
(161,894)		Short-term creditors		(125,888)	
(66,257)		Short-term borrowing		(71,647)	
(8,791)		Deferred liability repayable within one year		(11,110)	
(162,003)		Long-term borrowing		(153,000)	
(104,392)		Deferred liabilities		(113,766)	
(168,665)		Developers' contributions		(155,505)	
(672,002)		**Total financial instrument liabilities**		**(630,916)**	

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

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms.

note ii - The fair value of short-term financial liabilities including trade payables and developers contributions is assumed to approximate to the carrying amount. The disclosure of the fair value of deferred lease liabilities is not required under the CIPFA code.

22. Financial Instruments

22g Developers' contributions

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

2023/24				2024/25		
Highways £'000	Other £'000	Total £'000		Highways £'000	Other £'000	Total £'000
(107,377)	(54,909)	(162,286)	Balance at 1 April	(98,155)	(70,510)	(168,665)
(13,096)	(28,415)	(41,511)	Income	(13,116)	(20,623)	(33,739)
22,318	12,814	35,132	Contributions applied	15,264	31,635	46,899
(98,155)	**(70,510)**	**(168,665)**	**Balance at 31 March**	**(96,007)**	**(59,498)**	**(155,505)**

22h Short-term creditors

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

	31 March 2024 £'000	31 March 2025 £'000
Financial instrument creditors	(161,894)	(125,888)
Non-financial instrument creditors	(65,869)	(67,384)
Total short term creditors	(227,763)	**(193,272)**

22i Deferred liabilities

Long term			Short term		
31 March 2024 £'000	31 March 2025 £'000		31 March 2024 £'000	31 March 2025 £'000	
(104,392)	(100,990)	PFI and Service Concessions	(8,791)	(9,488)	18a & 18b
0	(7,930)	IFRS 16 Lease liabilities	0	(1,622)	
0	(4,846)	Other Long Term Deferred liabilities	0	0	
(104,392)	**(113,766)**	**Balance at 31 March**	**(8,791)**	**(11,110)**	

22. Financial Instruments

22j Nature and extent of risks arising from financial instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance on Local Authorities, both revised in 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year.

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

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

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

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

Credit risk

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

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

Credit Rating	Long term		Short term	
	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000
AAA	68,166	20,173	26,472	53,235
AA+	19,464	0	0	19,762
AA-	0	0	2,860	33
A+	0	0	10,075	26
AAA Money market funds	0	0	93,080	112,170
Unrated local authorities	20,000	20,000	109,057	56,485
Unrated pooled funds	108,104	110,893	10,022	10,110
Total	**215,734**	**151,066**	**251,566**	**251,821**

22. Financial Instruments

Expected Credit Losses

The County Council recognises an allowance for expected credit losses on trade debtors, and for non-treasury investments measured at amortised costs. The County Council does not recognise an allowance for treasury investments as the expected credit losses are immaterial.

Our standard terms for trade debtors are 30 days. After this point outstanding debtors are chased three times automatically, and are then flagged for further review if they remain outstanding. Outstanding debts are monitored and in order to best safeguard public funds, debtors are only written after all debt recovery options have been considered.

The County Council applies a simplified approach for the expected credit losses on trade debtors as allowed under IFRS 9. The trade debtors are reviewed by our credit control team or assessed on a collective basis, and an allowance for lifetime expected credit losses of is made based on this analysis.

The following table details the movements in ECL for the year:

	Non-Treasury Investments	Trade debtors	
	12 month ECL	Lifetime ECL simplified approach	Total
	£000	£000	£000
Opening balance at 1 April 2024	(25)	(22,500)	(22,525)
Reversals	7	0	7
Amounts written off	0	91	91
New charges for ECL	(1,356)	(4,023)	(5,379)
As at 31 March 2025	(1,374)	(26,432)	(27,806)

Liquidity risk

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

The maturity analysis of the principal sums borrowed at 31 March 2025 was as follows:

Discounted (principal)	Undiscounted (principal plus interest)		Discounted (principal)	Undiscounted (principal plus interest)
31 March 2024			31 March 2025	
£'000	£'000		£'000	£'000
(15,494)	(21,824)	Not over one year	(14,395)	(20,275)
(9,000)	(16,180)	Between one and two years	(10,000)	(16,744)
(26,000)	(44,582)	Between two and five years	(25,000)	(42,295)
(73,000)	(95,191)	Between five and 10 years	(78,000)	(96,741)
(50,000)	(54,590)	Between 10 and 20 years	(36,000)	(38,583)
(173,494)	**(232,367)**	**Total**	**(163,395)**	**(214,638)**

22. Financial Instruments

Market risk

Interest rate risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2025, £158m of principal borrowed was at fixed rates and £4m at variable rates. The value of the County Council's investments (excluding accrued interest) held at variable rates (including investments with less than one year to maturity) was £361m at 31 March 2025 and fixed rates was £40m.

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

Interest rate risk	**£'000**
Increase in interest payable on variable rate borrowing	71
Increase in interest receivable on variable rate investments	(1,732)
Decrease in fair value of investments held at FVPL	402
Impact on (Surplus) or Deficit on the Provision of Services	**(1,259)**
Decrease in fair value of investments held at FVOCI	0
Impact on Comprehensive Income and Expenditure	**(1,259)**

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

22. Financial Instruments

Price risk

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

The County Council's investment in pooled property funds are subject to the risk of falling commercial property prices and its investment in pooled equity funds are subject to the risk of falling share prices. These risks are limited by the County Council's investment strategy. A fall in commercial property or share prices would result in a charge to the surplus or deficit on the Provision of Services which is then transferred to the Financial Instrument Adjustment Account – this would have no impact on the General Fund until the investment was sold. A statutory override is in place covering existing investments until April 2029.

Foreign exchange risk

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

Hurst Castle and Hurst Point Lighthouse

23. Provisions

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

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

	note	31 March 2024	Use of Provision In Year	Increase or decrease in 2024/25 Central Provision	Service Provision	Taxation Provision	31 March 2025
		£'000	£'000	£'000	£'000	£'000	£'000
Insurance claims	a	(18,920)	4,860	885	(7,059)	0	(20,234)
Business rates appeals	b	(3,293)	3,293	0	0	(2,770)	(2,770)
Other	c	(1,097)	533	0	(782)	0	(1,346)
Total Provisions		**(23,310)**	**8,686**	**885**	**(7,841)**	**(2,770)**	**(24,350)**

a. The insurance provision represents an assessment of the likely cost of liability claims known to the County Council at 31 March 2025. The risks covered from the provision are as follows:

- **Liabilities**

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

- **Property**

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

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

- **Additional cover**

  Personal accident scheme
  Fidelity guarantee
  Schools - balance of perils
  Schools – community use

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

This is shown at nil on 31 March 2025 as the County Council due to the timing difference between the production of the draft accounts and the availability of business rates information.

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

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24. Post Employment Benefits

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

The Council participates in three pension schemes:

a) Pension schemes accounted for as defined contribution schemes:

- The Teachers Pension Scheme

- The NHS Pension Scheme

b) The Local Government Pension Scheme (LGPS)

24. Post Employment Benefits

24a Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

In 2024/25 total employer's contributions were £97 million representing 29% of pensionable pay (£77 million representing 24% of pensionable pay in 2023/24). This reflects that the employer contribution rate for the Teachers Pension Scheme increased from 1 April 2024.

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

NHS Pension Scheme

On 1 April 2013, Public Health staff transferred from the NHS to the County Council. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the County Council's only obligation is to pay contributions towards these costs based on a percentage of member's pensionable salaries.

The scheme is an unfunded defined benefit scheme administered by EA Finance NHS Pensions. As such the County Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes and therefore this scheme is accounted for as if it is a defined contribution scheme and no liability for future payment of benefits is recognised in the Balance Sheet.

The Adults' Health and Care line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year. In 2024/25 total employer's contributions were £30,773.

24. Post Employment Benefits

24b Local Government Pension Scheme

Participation in Pension Schemes

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

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

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

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

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

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

As at March 2025, Pension Fund assets and liabilities have been included in the Balance Sheet based on a formal actuarial valuation at 31 March 2022. As part of the 2022 valuation, employer contribution rates were set for a three year period.

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

Discretionary benefits

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

24. Post Employment Benefits

24c Transactions relating to post-employment benefits

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

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

Current service cost

This is the increase in liabilities resulting from employee service in the current period. This is shown as a cost in the Comprehensive Income and Expenditure Statement for the service where the employee worked.

Past service cost

This is the increase in liabilities arising from current year decisions whose effect relates to the number of years of service earned in earlier years. This is shown in other costs in the Comprehensive Income and Expenditure Statement.

Gains/losses on settlements and curtailments

This is the result of members of the scheme leaving, joining or stopping their contributions to the scheme. These actions relieve the County Council of liabilities or reduce the expected future service or accrual of benefits of employees. This is shown in other costs in the Comprehensive Income and Expenditure Statement

Net interest on the net defined benefit liability

This is the change during the period in the net defined benefit liability that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Re-measurement comprising:

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

2. Actuarial gains and losses: these are changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are shown as other income and expenditure within the Comprehensive Income and Expenditure Statement.

Contributions paid to the Hampshire County Council pension fund

These are amounts paid as employer contributions to the pension fund and are not included within the cost of services.

Asset Ceiling

Under IAS 19, the net asset ceiling limits the amount of a defined benefit surplus that can be recognised on the balance sheet. The surplus is limited to the present value of the economic benefits available, which may take the form of refunds from the plan or reductions in future contributions.

24. Post Employment Benefits

24c Transactions relating to post-employment benefits

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

2023/24 £'000		2024/25 £'000
	Included in the Comprehensive Income and Expenditure Statement:	
	Cost of Services	
115,609	Current service cost of funded LGPS pensions	115,835
1,154	Past service cost of funded LGPS pensions	2,660
(1,517)	Effect of Settlements	(2,611)
	Financing and Investment Income and Expenditure	
4,020	Interest on net defined liability	(4,948)
119,266	**Total post employment benefits charges to the surplus/deficit on the provision of services**	**110,936**
	Remeasurements in Other Comprehensive Income:	
(150,526)	Return on plan assets (excluding that recognised in net interest)	27,024
	Actuarial (gains)/losses arising:-	
(67,471)	Actuarial (gains) / losses due to change in financial assumptions	(580,333)
(71,406)	Actuarial (gains) / losses due to change in demographic assumptions	(6,610)
62,161	Actuarial (gains) / losses due to liability experience	(38,275)
0	Effect of asset ceiling	578,181
(227,242)	**Total amount recognised in Other Comprehensive Income and Expenditure**	**(20,013)**
(107,976)	**Total post employment benefits charges to the Comprehensive Income and Expenditure Statement**	**90,923**
	Movement in reserves statement	
(119,266)	Reversal of net changes made to the surplus/deficit for the provision of services for post employment benefits in accordance with IAS19	(110,936)
	Actual amount charged against the General Fund Balance for pensions in the year	
281,904	Employer's contributions payable to the fund	15,819
281,904	**Charge on General Fund**	**15,819**

24. Post Employment Benefits

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

Period ended 31 March 2025	Total
	£'000
Opening present value of liabilities	**(3,729,498)**
Current service cost	(115,835)
Interest expense on defined benefit obligation	(181,042)
Contributions by participants	(39,612)
Actuarial gains/(losses) on liabilities:	
- financial assumptions	580,333
- demographic assumptions	6,610
- liability experience	38,275
Net benefits paid out (note i)	136,942
Past service cost	(2,660)
Settlements	8,142
Closing present value of liabilities	**(3,298,345)**

Period ended 31 March 2024	Total
	£'000
Opening present value of liabilities	**(3,614,657)**
Current service cost	(115,609)
Interest expense on defined benefit obligation	(167,129)
Contributions by participants	(37,178)
Actuarial gains/(losses) on liabilities:	
- financial asssumptions	67,471
- demographic assumptions	71,406
- liability experience	(62,161)
Net benefits paid out (note i)	125,021
Past service cost	(1,154)
Settlements	**4,492**
Closing present value of liabilities	**(3,729,498)**

24. Post Employment Benefits

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

31 March 2024 £'000		31 March 2025 £'000
3,377,276	**Opening fair value of assets**	**3,881,997**
163,109	Interest income on assets	185,990
150,526	Remeasurement gains/(losses) on assets	(27,024)
0	Effect of asset ceiling	(578,181)
281,904	Contributions by employer	15,819
37,178	Contributions by participants	39,612
(125,021)	Net benefits paid out (note i)	(136,942)
(2,975)	Settlements	(5,531)
3,881,997	**Closing fair value of assets**	**3,375,740**

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

24. Post Employment Benefits

24f Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31 March 2024 £'000		31 March 2025 £'000
	Present value of the defined benefit obligation:	
(3,691,363)	LGPS funded	(3,264,888)
	Unfunded Liabilities:	
(15,885)	LGPS	(13,792)
(22,250)	Teachers	(19,665)
(3,729,498)	Total	**(3,298,345)**
3,881,997	Fair value of assets in the scheme	3,375,740
152,499	**Net (liability)/asset arising from defined benefit obligation**	**77,395**

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

- the deficit will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the Fund's actuary.

- finance is only required to be raised to cover discretionary (unfunded) benefits when the pensions are actually paid.

The proportion of assets by category is shown below:

31 March 2024 %		31 March 2025 Quoted %	31 March 2025 Unquoted %	31 March 2025 Total %
37.9	Equities	33.4	0.0	33.4
14.5	Government bonds	14.6	0.0	14.6
7.5	Property	0.0	9.1	9.1
9.8	Corporate bonds	4.5	4.7	9.2
0.8	Cash	1.9	0.0	1.9
29.5	Other (hedge funds, currency holdings, futures, private equities)	9.2	22.6	31.8
100.0		**63.6**	**36.4**	**100.0**

24. Post Employment Benefits

24g Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

31 March 2024		31 March 2025
2.8%	Rate of Inflation (CPI)	2.8%
3.8%	Rate of increase in salaries	3.8%
2.8%	Rate of increase in pensions	2.8%
4.9%	Rate for discounting scheme liabilities	5.8%
	Longevity at 65 for current Pensioners (years):	
22.1	Men (LGPS)	22.0
24.7	Women (LGPS)	24.7
	Longevity at 65 for future Pensioners (years):	
22.6	Men (LGPS)	22.5
25.7	Women (LGPS)	25.6

Cash commutation assumption:

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

24. Post Employment Benefits

Sensitivity analysis of financial assumptions

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

Impact on the present value of the defined benefit obligation at 31 March 2025 from changes in assumptions

	Increase in assumption		Decrease in assumption	
	£'000	%	£'000	%
Discount rate (increase / decrease 0.1% per annum)	55,844	2	(55,844)	-2
Salary increase rate (increase / decrease 0.1% per annum)	(1,325)	0	1,325	0
Pension increase rate (increase / decrease 0.1% per annum)	(56,101)	2	56,101	-2
Longevity (increase / decrease by 1 year)	(131,934)	-4	131,934	4

Impact on the County Council's Cash Flows

One of the three main aims of the Fund is to keep employers' contribution rates as stable as possible. The latest Funding Strategy Statement states that if an employer is in deficiency the employer's contribution rates will be adjusted to achieve a 100% funding ratio over a period of years (the Recovery Period). A common maximum Recovery Period of 16 years from 1 April 2023 is in place. The County Council is not currently in deficit based on the latest triennial valuation. This was completed on 31 March 2022, and is reflected in the 2024/25 financial statements.

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

In April 2023 the County Council prepaid three years of employer pension contribution and therefore the total regular and fixed contributions expected to be made to the Hampshire LGPS by the County Council in the year to 31 March 2026 is nil. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

25. Contingent Assets

Contingent Assets

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

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

EM3 LEP

Following the Government's decision that all functions of LEPs were to be transferred back to local authorities from 1 April 2024, the accounts of Enterprise M3 Local Enterprise Partnership (EM3 LEP) have been integrated with the County Council's.

EM3 LEP provided a total of £12.65m funding to a private sector partner, The FSE Group, to be invested by them in local businesses and the local economy with the intention of delivering high-growth and employment opportunities in the region covered by the EM3 LEP.

Of the £12.65m invested, £3.72m has been returned however the return of the remaining sum remains uncertain both in terms of amount and timing and as such it is considered appropriate to disclose a contingent asset of £8.9m.

Due to the disaggregation of the LEP functions and reserves, any returns will be split between Hampshire County Council and Surrey County Council on the basis of a 49%:51% split.

Solent LEP

Following the Government's decision that all functions of LEPs were to be transferred back to local authorities from 1 April 2024, the accounts of the Solent LEP have been integrated with those of Portsmouth City Council.

Due to the disaggregation of the LEP functions and reserves, the County Council is due to receive an allocation of funding relating to the former Solent LEP from Portsmouth City Council.

As the amount to be returned will only be confirmed by future events outside the control of the County Council we are disclosing this as a contingent asset.

25. Contingent Liabilities

Contingent Liabilities

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

The County Council self-insures and therefore funds its own liability claims. The liabilities are uncertain but to cover them a provision is maintained for known liability claims, assessed at £20.23 million at 31 March 2025 (see note 23) and a reserve earmarked for potential future claims, £24.514 million at 31 March 2025 (see note 4i).

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

Virgin Media Limited v NTL Pension Trustees II Limited

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 judgement was upheld by the Court of Appeal in July 2024.

The Local Government Pension Scheme (LGPS) 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 LGPS 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, Hampshire County Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

26. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 9 February 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Non-adjusting events after the reporting date should be disclosed if these are material and could influence the decisions of users taken on the basis of the financial statements.

Academy Conversions

In the period since 31 March 2025, four schools have been granted academy status. The balance sheet as at 31 March 2025 included assets and liabilities relating to these schools including property, plant and equipment valued at £16.9m. However, the actual value of the transfer will be agreed as at the date of transfer.

Local Government Reorganisation (LGR) and Devolution

Where there is an intention by government to transfer services from the authority to another (for example, as part of local government reorganisation), the authority shall disclose that fact. Following the submission to government of proposals for local government reorganisation in the Hampshire and Solent area, a consultation was launched by government which closed in January 2026. LGR would change the landscape of Hampshire's local councils by replacing the current two-tier council system, which is in place across much of the region, with a number of new unitary (all-purpose) councils. Reorganisaiton would be expected to be in place by April 2028.

The area is also seeing change as a result of the devolution priority programme, which would see the creation of a new combined county authority, with mayoral elections due to take place in 2028. This would not replace the County Council (or any successor unitary organisations post LGR) but would create a new body given specific devolved powers for the area.

Fair funding review

In June 2025 the government launched a consultation on its fair funding review. The outcome was announced in the Autumn of 2025 along with the three year provisional local government finance settlement. The change impacts on the County Council (and any successor unitary organisations post LGR). The fair funding consultation also confirmed the two year extension of the Dedicated Schools Grant (DSG) deficit statutory override to the end of 2027/28. This means the DSG deficit remains an unusable reserve throughout this period, meaning the deficit is not offset against County Council usable reserves. However, this continues to mean that County Council has to use its cash balances to cover the difference between DSG funding and expenditure.

27. Cash Flow Statements

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

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

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

Langstone Harbour and Mill

27a. Cash Flow Statements – Operating Activities

The cash flows for operating activities include the following items:

2023/24 £'000		2024/25 £'000
20,631	Interest paid	18,360
(23,645)	Interest received	(29,383)
(3,014)		**(11,023)**
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(160,209)	Depreciation	(156,599)
(25,180)	Impairments and downward revaluations	(19,392)
(10,300)	(Increase)/decrease in expected credit losses	(5,379)
39,282	(Increase)/decrease in creditors	80,931
205,534	Increase/(decrease) in debtors	(99,651)
232	Increase/(decrease) in inventory	(1,047)
162,638	Movement in Pension Liability	(95,117)
(8,860)	Carrying amount of non-current assets sold	(240,670)
(50,700)	Carrying amount of assets transferred to academy / foundation Trust schools	(26,655)
(4,929)	Adjustment for provisions	(1,040)
(5,901)	Movement in the value of investment properties and financial assets	3,421
(1,391)	Property, plant & equipment (PPE) written off as revenue (REFCUS)	(280)
0	Adjustments relating to financial instruments as per accounting standards	(2,223)
0	Deferred capital receipts credited to income	22,750
0	Adjustment for nominal leases on adoption of IFRS 16	10,210
0	Other adjustments	(170)
140,216	**Non-cash movement**	**(530,911)**

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

2023/24 £'000		2024/25 £'000
	Adjustments to net surplus or deficit on the provision of services for items that are investing or financing cash flows	
25,291	Proceeds from the sale of PPE etc	40,621
159,085	Capital grants and contributions	129,449
(518)	Premium charged on repayment of long-term borrowing	0
0		(1,615)
183,858	**Investing/financing cash flows**	**168,455**

27b. Cash Flow Statements – Investing Activities

2023/24 £'000		2024/25 £'000
	Cash outflows	
127,913	Purchase of property, plant and equipment	154,151
288,167	Purchase of short-term and long-term investments	243,607
	Cash inflows	
(25,311)	Proceeds from the sale of property, plant and equipment	(40,696)
(293,769)	Proceeds from the sale of short-term and long-term investments	(327,170)
(141,829)	Capital grants	(111,195)
(3,880)	Reclassifications of investments	0
(2,557)	Other income	(1,689)
(51,266)	**Net cash outflow from investing activities**	**(82,992)**

27c. Cash Flow Statements – Financing Activities

2023/24 £'000		2024/25 £'000
	Cash outflows	
8,208	Cash payments for the reduction of the outstanding liabilities relating to PFIs and Right of Use Assets	10,171
30,624	Repayments of short- and long-term borrowing	14,809
518	Premium charged on repayment of long-term borrowing	0
	Cash inflows	
(7,489)	Cash receipts of short- and long-term borrowing	(13,223)
(694)	Other receipts from financing activities	(726)
31,167	**Net cash outflow from financing activities**	**11,031**

28. Accounting Policies and Critical Judgements in Applying Accounting Policies

General principles

The Statement of Accounts summarises the County Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The County Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the accounts to be prepared in accordance with proper accounting practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

28.1 Going concern basis of preparation

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

Financial sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of Hampshire County Council under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate. The County Council regularly reviews and updates its Medium Term Financial Strategy, incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast.

This is underpinned by a well established reserves policy and approach to identifying and delivering required savings from the budget, with regular monitoring through monthly reporting. The medium-term strategy and current assumptions on funding, priorities and pressures informs the annual budget setting process, with outcomes monitored throughout each financial year taking a risk based approach with the escalation of issues through senior officers and elected members as appropriate.

With a balance on reserves of £761m at the end of 2024/25, the County Council can also conduct its Treasury Management activity to make sure sufficient cash is available to meet its operational obligations whilst also taking a longer-term view to investments where appropriate, albeit to a lesser extent than in the past. Cash and investment balances are forecast to fall as reserves are spent and the DSG deficit grows, however the previous strategy of 'internally borrowing' means cash can be released by refinancing this borrowing and some longer term investments could be sold to release cash to meet obligations.

The Director of Corporate Operations' section 25 report in February 2025 highlighted the likelihood of a section 114 notice being issued in future:

> *"we have been highlighting since 2018 that if nothing is changed in the way that local government is funded or changes are not made to our statutory responsibilities that we will not be financially sustainable in the longer term. Seven years on from that statement with no changes in either item and significantly higher demand pressures and inflation since 2022 it is no surprise that Hampshire is facing the position that it is."*

28. Accounting Policies and Critical Judgements in Applying Accounting Policies

In preparing the accounts and reviewing the County Council's cash flow forecasts, the Chief Financial Officer is content that the County Council will have the access to cash to be able to meet its obligations for the period 12 months beyond the publication of these accounts, but this does not mean the organisation is financially sustainable going forward from a recurrent revenue budget position.

28.2 Accruals of income and expenditure

Sums due to, or from, the County Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year, that is, on an accruals basis. In particular:

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

However, there are some exceptions, as follows:

- Payments to casual staff and overtime are accounted for with the basic pay with which they are paid.
- Electricity and other utility companies' quarterly payments are accounted for at the date of meter reading rather than being shared between financial years.
- Pension Fund income includes dividends declared in the income tax year

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

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

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

28. Accounting Policies and Critical Judgements in Applying Accounting Policies

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

28.4 Stock and long-term contracts

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

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

28.5 Contingent assets

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

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

28.6 VAT

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

28. Accounting Policies and Critical Judgements in Applying Accounting Policies

28.7 Transferred functions

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

Critical judgements in applying accounting principles

In applying its accounting policies, the County Council has had to make certain judgements about complex transactions or those involving uncertainty about future events as set out in note 29.

28.8 Asset classifications

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

28.9 Providing for potential liabilities

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

28.10 Production of group accounts

In accordance with the Code of Practice the County Council has carried out an assessment of its interests in other entities to determine the nature of any group relationships that exist. This includes an assessment of the extent of the County Council's control over the entity considered either through ownership (such as shareholding) or representation on an entity's board of directors. The main interests held by the County Council in other entities are detailed in the Collaborative Arrangements section of this statement of accounts. Group Accounts for the County Council and it's share of the joint venture in Manydown Garden Communities LLP are included in the Group Accounts section of this statement of accounts.

28.11 Reportable segments

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

29. Uncertainties Relating to Assumptions and Estimates used

There are two significant items on the County Council's Balance Sheet at 31 March 2025 for which there is a risk of adjustment in the forthcoming financial year owing to uncertain economic and political events. These are the estimated values for the pension asset and property, plant and equipment (PPE). However, variations in these values do not impact the usable reserves of the County Council.

Pension Asset

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

Property, Plant and Equipment (PPE)

The County Council commissions a 5 year rolling programme of PPE and Investment Property valuations, unless events indicate that a valuation is required ahead of the next planned valuations. Valuations are undertaken by qualified valuers within Hampshire County Council's Property department in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. These take account of current trends in building costs, local planning policies and other relevant factors. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices. However, because valuations cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. A 1% change in valuations of land and buildings equates to £31m.

30. Accounting standards issued not yet adopted

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

The additional disclosures that will be required in the 2025/26 financial statements in respect of accounting changes introduced in the 2025/26 Code are:

- Property, Plant and Equipment (IAS 16) and Intangible Assets (IAS 38)
    - The Code includes adaptations and interpretations of these two accounting standards, which both relate to how non-investment assets are valued. Those relating to IAS 16 set out three revaluation processes for operational property, plant and equipment as well as requiring indexation of tangible non-investment assets. Those relating to IAS 38 require intangible assets to be valued using the historical cost approach. There will be no impact on the accounts for prior years, as these new accounting requirements will not be applied retrospectively. We will value operational property, plant and equipment assets in 2025/26 in line with the requirements, however this is not a diversion from our existing approach to valuations and so we do not expect this to have a material impact. We do not have any material amount of intangible assets, so do not expect that the IAS 38 changes will have any impact on the accounts.
- The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) (IAS 21)
    - The changes to this accounting standard relate to how to address situations where one currency cannot be exchanged into another (e.g. due to Government currency controls). The County Council does not have anything denominated in a foreign currency, so there will be no effect on the County Council's accounts. The Hampshire Pension Fund does have some assets denominated in foreign currencies. However, these currencies (primarily Euros and US Dollars) can all be easily exchanged into Pounds Sterling, so the IAS 21 changes will not have any impact on the Pension Fund's accounts either.
- Insurance Contracts (IFRS 17)
    - IFRS 17 in a new standard which sets out principles for the accounting treatment of insurance contracts. Although we have some insurance contracts, this accounting standard is aimed at companies which issue insurance contracts (i.e. the insurance industry), so it will not have any impact on our accounts.

Fareham Old Town Quay

Group Accounts

Hampshire County Council

Group accounts

Introduction

The purpose of the group accounts is to provide a picture of Hampshire County Council (HCC) together with Manydown Garden Communities LLP (MGCLLP). The group accounts therefore provide additional information about the Council's wider financial position.

MGCLLP is a joint venture between the Council and Basingstoke & Deane Borough Council with each council entitled to a 50% share of the assets and liabilities of the joint venture. HCC's 50% share has been consolidated into these group accounts.

As MGCLLP is a joint venture it has been accounted for using the equity method.

All other group arrangements that HCC are involved with are immaterial and have therefore not been included in the group accounts.

The group accounts comprise the following statements:

- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Balance Sheet - reports the HCC Group financial position at the year-end.
- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Group detail on adjustments to cash flow for non-cash movements

Group CIES

The group Comprehensive Income and Expenditure Statement (CIES) summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.

The group CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

The taxation position is shown in the group Movement in Reserves Statement.

2023/24 Gross expenditure £'000	2023/24 Gross Income £'000	2023/24 Net expenditure £'000		2024/25 Gross expenditure £'000	2024/25 Gross Income £'000	2024/25 Net expenditure £'000	Note	Table Links
759,243	(312,391)	**446,852**	Adults' Health and Care	857,788	(332,078)	**525,710**		
1,208,395	(1,138,311)	**70,084**	Schools	1,496,935	(1,268,172)	**228,763**		
392,951	(81,554)	**311,397**	Children's Services Non-Schools	487,377	(86,116)	**401,261**		
274,081	(83,295)	**190,786**	Universal Services	315,068	(92,626)	**222,442**		
87,145	(51,331)	**35,814**	Corporate Services	128,171	(46,904)	**81,267**		
29,762	(14,732)	**15,030**	Hampshire 2050	36,324	(15,376)	**20,948**		
3,900	0	**3,900**	(Decrease)/Increase in Provisions	0	(885)	**(885)**		
13,703	(7,908)	**5,795**	Other items not allocated to services	13,132	(5,437)	**7,695**		
2,769,180	**(1,689,522)**	**1,079,658**	**Cost of Services**	**3,334,795**	**(1,847,594)**	**1,487,201**	11	11
			Other operating expenditure					
8,884	(25,291)	**(16,407)**	(Gain)/Loss on disposal of assets	240,685	(40,621)	**200,064**		
50,700		**50,700**	Assets transferred to academy/foundation trust schools	26,655	0	**26,655**		5
47,699	(32,321)	**15,378**	Total financing and investment income & expenditure	23,763	(41,819)	**(18,056)**	5	
			Taxation and non-specific grant income					6
	(175,627)		Non-ringfenced government grants		(199,414)		6	
	(51,207)		Locally retained business rates		(53,196)			
	(785,428)		Council tax income		(830,871)			
	(159,085)		Capital grants and contributions		(129,449)		6	
		(1,171,347)				**(1,212,930)**		
		(42,018)	**(Surplus)/Deficit on the provision of services**			**482,934**		
			Share of (Surplus)/Deficit on Joint Venture			604		
			Group (Surplus)/Deficit			**483,538**		
	(61,071)		Net gains on revaluation of property, plant & equipment		(30,569)		3a	3a
	(227,242)		Net actuarial (gain)/loss on pension fund assets and liabilities		(20,013)		24c	24c
		(288,313)	**Other Comprehensive (Income)/Expenditure**			**(50,582)**		
		(330,331)	**Total Comprehensive (Income)/Expenditure**			**432,956**		

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Group Balance Sheet

31 March 2024 £'000		31 March 2025 £'000	See note	Table Links
4,700,151	Property, plant & equipment (PPE)	4,536,236	19	19
57,564	Investment property	29,732	20	20
215,734	Long-term investments	151,066	22	22
133,057	Long-term debtors	41,703	22b	
0	Investment in Joint Venture	22,641		
152,499	Net asset related to defined benefit pension schemes	77,395		
5,259,005	**Long-term assets**	**4,858,773**		
3,552	Current assets held for sale	4,625		
155,615	Short-term investments	139,603	22	22
4,565	Inventories	3,518		
301,357	Short-term debtors	288,995	22c	
66,988	Cash and cash equivalents	18,471	22a	
532,077	**Current assets**	**455,212**		
(227,763)	Short-term Creditors	(193,272)	22g	
(66,257)	Short-term borrowing	(71,647)	22d	18
(8,791)	Deferred liability repayable within one year	(11,110)	18	6
(30,425)	Grants receipts in advance - revenue	(24,014)	6	
(53,181)	Grants receipts in advance - capital	(49,365)	6	
(386,417)	**Current liabilities**	**(349,408)**		
145,660	**Net current assets**	**105,804**		
0	Net liability related to defined benefit pension schemes	0	24f	24
(23,310)	Provisions	(24,350)	23	23
(162,003)	Long-term borrowing	(153,000)	22d	18
(104,392)	Deferred liabilities	(113,766)	18	22
(168,665)	Developers' contributions	(155,505)	22f	
(458,370)	**Long term liabilities**	**(446,621)**		
4,946,295	**Total net assets**	**4,517,956**		
	Financed by:			
	Usable reserves			4
(606,011)	General Fund and earmarked reserves	(548,044)	4	
(227,329)	Capital grants unapplied reserve	(213,373)	4D	
0	Share of Joint Venture usable reserves	1,271		
(833,340)	**Usable reserves**	**(760,146)**		3
(4,112,955)	**Unusable reserves**	**(3,757,810)**	3	
(4,946,295)	**Total Reserves**	**(4,517,956)**		

The group Balance Sheet reports the financial position for the group of the Council and the Council's share of Manydown Garden Communities LLP at the year-end.

The County Council's investment in the MGCLLP is shown as a long-term asset.

This is balanced by the County Council's share of joint venture usable reserves.

Group Movement in Reserves Statement

	General Fund Balance* £'000	Capital Grants Unapplied Reserve £'000	Share of Joint Venture Usable Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Note	Table Links
Balance at 31 March 2023	**(638,710)**	**(206,292)**	**0**	**(845,002)**	**(3,770,962)**	**(4,615,964)**		
(Surplus)/Deficit on the provision of services	(42,018)	0	0	**(42,018)**	(288,313)	**(330,331)**	CIES	CIES
Adjustments between accounting basis & funding basis	74,717	(21,037)	0	**53,680**	(53,680)	**0**	2	2
(Increase) / decrease in Year	**32,699**	**(21,037)**	**0**	**11,662**	**(341,993)**	**(330,331)**		
Balance at 31 March 2024	**(606,011)**	**(227,329)**	**0**	**(833,340)**	**(4,112,955)**	**(4,946,295)**		
* includes earmarked reserves	(note 4)				(note 3)			

	General Fund Balance* £'000	Capital Grants Unapplied Reserve £'000	Share of Joint Venture Usable Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000		
Balance at 31 March 2024	**(606,011)**	**(227,329)**	**0**	**(833,340)**	**(4,112,955)**	**(4,946,295)**		
Adjustment to opening balance on consolidation into group accounts	0	0	667	**667**	0	0		
Balance at 1 April 2024	**(606,011)**	**(227,329)**	**667**	**(832,673)**	**(4,112,955)**	**(4,946,295)**		
(Surplus)/Deficit on the provision of services	482,934	0	604	**483,538**	(50,582)	**432,956**	CIES	CIES
Adjustments between accounting basis & funding basis	(424,614)	18,887	0	**(405,727)**	405,727	**0**	2	2
Net transfers of reserves to other local authorities	(353)	(4,931)	0	**(5,284)**	0	**(5,284)**		
(Increase) / decrease in Year	**57,967**	**13,956**	**604**	**72,527**	**355,145**	**427,672**		
Balance at 31 March 2025	**(548,044)**	**(213,373)**	**1,271**	**(760,146)**	**(3,757,810)**	**(4,518,623)**		
* includes earmarked reserves	(note 4)				(note 3)			

The group Movement in Reserves Statement shows the movement in the year on the County Council's single entity usable and unusable reserves together with the County Council's share of the joint venture usable reserves.

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Group Cash Flow Statement

The group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.

2023/24 £'000		2024/25 £'000	Note	Table Links
(42,018)	Net (surplus) or deficit on the provision of services	483,538		
140,216	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(531,515)	27a	
183,858	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	168,455	27a	
282,056	**Net cash (inflow) or outflow from Operating Activities**	**120,478**		27
(51,266)	Investing Activities	(82,992)	27b	
31,167	Financing Activities	11,031	27c	
261,957	**Net (increase) or decrease in cash and cash equivalents**	**48,517**		
(328,945)	Cash and cash equivalents at the beginning of the reporting period	(66,988)		22
(66,988)	**Cash and cash equivalents at the end of the reporting period**	**(18,471)**	22a	

Adjustments to cash flow for non-cash movements

2023/24 £'000		2024/25 £'000
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(160,209)	Depreciation	(156,599)
(25,180)	Impairments and downward revaluations	(19,392)
(10,300)	(Increase)/decrease in expected credit losses	(5,379)
39,282	(Increase)/decrease in creditors	80,931
205,534	Increase/(decrease) in debtors	(99,651)
232	Increase/(decrease) in inventory	(1,047)
162,638	Movement in Pension Liability	(95,117)
(8,860)	Carrying amount of non-current assets sold	(240,670)
(50,700)	Carrying amount of assets transferred to academy / foundation Trust schools	(26,655)
(4,929)	Adjustment for provisions	(1,040)
(5,901)	Movement in the value of investment properties and financial assets	3,421
(1,391)	Property, plant & equipment (PPE) written off as revenue (REFCUS)	(280)
0	Adjustments relating to financial instruments as per accounting standards	(2,223)
0	Deferred capital receipts credited to income	22,750
0	Adjustment for nominal leases on adoption of IFRS 16	10,210
0	Removing share of Surplus/(Deficit) on Joint Venture	(604)
0	Other adjustments	(170)
140,216	**Non-cash movement**	**(531,515)**

Further information

Further information provided

We are required by International Financial Reporting Standards (IFRS) to disclose some further information about the organisation included in the group accounts. This information can be found on this page.

Manydown Garden Communities LLP (MGCLLP) is a limited liability partnership incorporated in England and Wales (company number OC423668) and registered at Civic Offices, London Road, Basingstoke, RG21 4AH. The partnership was incorporated on 6 August 2018.

Commitments and Guarantees

There are limited circumstances where HCC could be required to provide financial support beyond the capital it has contributed, loans already made and any undrawn profits it has agreed or may in the future agree to leave in MGCLLP, however, the likelihood of this arising is considered to be remote.

These circumstances are those required by general law linked broadly to acts or omissions of HCC as a member of the LLP.

Summarised financial information

The figures in the table are taken from the MGCLLP accounts which are published online at Companies House, and represent the results of MGCLLP, not figures that have been adjusted for the HCC share.

These are provided to meet the requirements of IFRS 12 (Disclosure of Interests in Other Entities).

Summarised Statement of Financial Position (at 31 December 2024)

	£'000
Current assets	71,169
Non-current assets	0
Current liabilities*	(9)
Non-current liabilities**	(25,879)
Net assets	**45,281**

*Current liabilities is comprised of accruals.

**Non-current liabilities is comprised of loans and accrued interest owed to Hampshire County Council and Basingstoke & Deane Borough Council.

Summarised Statement of Comprehensive Income (year ended 31 December 2024)

	£'000
Revenue / Other income	7
Administrative expenses	(22)
Interest (net)	(379)
Loss before members' remuneration	**(394)**
Members' remuneration charged as expense	(813)
Loss for the year	**(1,207)**

Other financial information

	£'000
Cash and cash equivalents included within current assets	147
Interest income	0
Interest expense	(379)

Titchfield Haven National Nature Reserve

Hampshire County Council

Pension Fund and Explanatory Notes

Statement of Accounts 2024-25

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- This document can be viewed on computers, laptops and mobile devices
- Our finance team can be contacted at: budget@hants.gov.uk

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Pension Fund Account

Pension Fund Accounts			
Fund Account	**See note**	**2023/24 £'000**	**2024/25 £'000**
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	558,470	248,529
Transfers in from other pension funds		19,926	37,599
		578,396	**286,128**
Benefits	8	(347,550)	(389,672)
Payments to and on account of leavers		(31,432)	(33,038)
		(378,982)	**(422,710)**
Net additions from dealings with members		**199,414**	**(136,582)**
Management expenses	9	**(78,932)**	**(103,358)**
Net additions inc. fund management expenses		120,482	(239,940)
Returns on investments			
Investment income	10	177,663	285,970
Taxes on income		(136)	(716)
Profits and losses on disposal of investments and changes in the market value of investments	11a	700,520	207,359
Net return on investments		**878,047**	**492,613**
Net increase in the net assets available for benefits during the year		**998,529**	**252,673**

Opening net assets of the scheme		8,964,570	9,963,099
Closing net assets of the scheme		9,963,099	10,215,772
Net Assets Statement for the year ending 31 March 2025	**See note**	**31 March 2024 £'000**	**31 March 2025 £'000**
Investment assets		9,782,934	9,942,724
Cash deposits		136,886	247,668
Investment liabilities		(7,131)	(21)
Total net investments	**11**	**9,912,689**	**10,190,371**
Current assets	18	56,619	36,221
Current liabilities	19	(6,210)	(10,820)
Net assets of the Fund available to fund benefits at the period end		**9,963,099**	**10,215,772**

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1. Description of The Fund

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Hampshire Pension Fund Annual Report 2024/25 and the underlying statutory powers underpinning the Scheme.

a) **General**

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

- The Local Government Pension Scheme Regulations 2013 (as amended)

- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

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

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

b) **Membership**

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

Organisations participating in the Hampshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 402 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Hampshire Pension Fund	**31 March 2024**	**31 March 2025**
Number of employers with active members	357	402
Number of employees in Scheme		
County Council	28,329	27,894
Other employers	32,781	33,948
Total	**61,110**	**61,842**
Number of pensioners		
County Council	25,668	26,789
Other employers	29,999	31,488
Total	**55,667**	**58,277**
Deferred pensioners		
County Council	44,668	45,636
Other employers	45,421	46,448
Total	**90,089**	**92,084**
Total members in the Pension Fund	**206,866**	**212,203**

1. Description of The Fund

c) **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay in the Main Section, and 2.75% to 6.25% of pensionable pay in the 50/50 Section, for the financial year ending 31 March 2025. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2022. Employer contribution rates for most employers were a range from 15.0% to 27.1% of pensionable pay. A small number of employers also pay a past service deficit contribution.

d) **Benefits**

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

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

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Hampshire Pension Fund's website:

https://www.hants.gov.uk/hampshire-services/pensions

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position at year end at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

The vast majority of employers in the pension scheme (94% of the Fund by active membership, are scheduled bodies excluding Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet is ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 66.6% of the Fund's investments can be converted into cash within 3 months.

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3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

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

• Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

• Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

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

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

b) Transfers to and from other schemes

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

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

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

c) Investment income

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

Fund Account – expense items

d) Benefits payable

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

e) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

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

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used for inclusion in the Fund account. In 2024/25 £4.7million of fees is based on such estimates (2023/24 £2.9 million).

f) Taxation

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

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

3. Summary of Significant Accounting Policies

Net Assets Statement

g) Financial assets

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

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

h) Freehold and leasehold properties

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

i) Foreign currency transactions

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

j) Derivatives

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

k) Cash and cash equivalents

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

l) Financial liabilities

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

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

m) Actuarial present value of promised retirement benefits

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

n) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see Note 20).

o) Contingent assets and contingent liabilities

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

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

4. Critical Judgements in Applying Accounting Policies

Unquoted alternative investments

It is important to recognise the subjective nature of determining the fair value of alternative investments: private equity, infrastructure, timberland and private debt. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using guidelines set out by the International Private Equity and Venture Capital Valuation Guidelines. The value of unquoted private equity investments was £880 million and infrastructure investments was £1,024 million at 31 March 2025 (£744 million and £895 million at 31 March 2024).

Timberland is valued in accordance with standards including International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, or other regional standards. Timberland investments was valued at £96 million at 31 March 2025 (£0 million at 31 March 2024).

There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as Duff & Phelps. The value of unquoted private debt investments at 31 March 2025 was £474 million (£508 million at 31 March 2024).

Pension fund liability

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

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

Directly held property

The Fund's property portfolio includes a number of directly owned properties, which are leased commercially to various tenants with rental periods from less than a month to 114 years (based on current leases). The Fund has determined that these contracts all constitute operating lease arrangements under the classification permitted by IAS7 and the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

Wholly owned companies

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

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

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5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

The items in the Net Assets Statement and Notes to the Accounts at 31 March 2025 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 17)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £1,358 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £19 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £554 million.
Alternative investments - Private equity (Note 13)	Private equity investments are valued at fair value in accordance with the *International Private Equity Venture Capital Valuation Guidelines*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £880 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£88m)

5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Alternative investments - Infrastructure (Note 13)	Infrastructure investments are valued at fair value in accordance with the *International Private Equity Venture Capital Valuation Guidelines*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are £1,024 million. The investment managers recommends a tolerance of 10% around the net asset value (+/-£102m)
Alternative investments – Timberland (Note 13)	Timberland appraisals determine fair or market value in accordance with standards including International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice; other regional standards (e.g. New Zealand Institute of Forestry Forest Valuation Standards). These investments are not publicly listed and as such there is a degree of estimation involved in the sector.	The total infrastructure investments in the financial statements are £96 million. The investment managers recommends a tolerance of 10% around the net asset value (+/-£10m)
Alternative investments - Private debt (Note 13)	There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a 3rd party valuer, such as *Duff & Phelps*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £474 million. The investment managers recommends a tolerance of 5% around the net asset value (+/-£24m)

6. Events after the Reporting Date

Market volatility

Financial markets have been increasingly volatile following the announcement of United States import tariff policies, starting on 2 April 2025. However within the long-term trends of financial markets there are no reasons to adjust the values presented in these accounts.

Changes to pension pooling

On 9 April 2025 the Pension Fund received notification from the Ministers for Local Government and Pensions, that the Government was not supporting the ACCESS pool's proposal to establish a company to meet the requirements of the Government's 'Local Government Pension Scheme (England and Wales): Fit for the future' consultation. The Ministers invited the Hampshire Pension Fund 'to consider and identify which [other] pool you wish to partner with going forward'.

Hampshire County Council as Administering Authority of the Hampshire Pension Fund is considering the Government's response and its options for another investment pool. Choosing to change investment pool will not change the values of the Pension Fund's investments presented in these accounts but will change how investments are managed in the future and will generate costs that will fall in future accounting periods.

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7. Contributions Receivable

By category	2023/24 £'000	2024/25 £'000
Employees' contributions	91,390	94,180
Employers' contributions		
Normal contributions	464,658	152,209
Deficit recovery contributions	2,422	2,140
Total employers' contributions	467,080	154,349
Total contributions receivable	**558,470**	**248,529**

By type of employer	2023/24 £'000	2024/25 £'000
Administering authority	312,013	50,070
Scheduled bodies	238,947	189,833
Admitted bodies	7,510	8,626
Total	**558,470**	**248,529**

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8. Benefits Payable

By category	2023/24 £'000	2024/25 £'000
Pensions	282,939	311,208
Commutation and lump sum retirement benefits	57,442	69,415
Lump sum death benefits	7,169	9,049
Total	**347,550**	**389,672**

By type of employer	2023/24 £'000	2024/25 £'000
Administering authority	127,584	147,961
Scheduled bodies	202,511	222,384
Admitted bodies	17,455	19,327
Total	**347,550**	**389,672**

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9. Management Expenses

	2023/24 £'000	2024/25 £'000
Administrative costs	3,200	3,270
Investment management expenses	74,852	98,822
Oversight and governance costs	880	1,266
Total	**78,932**	**103,358**

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

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

9a) Investment Management Expenses

2024/25	Management fees £000	Transaction costs £000	Total £000
Bonds	0	0	**0**
Equities	0	0	**0**
Pooled investments*	13,970	1,950	**15,920**
Pooled property investments	0	0	**0**
Property*	1,535	6,569	**8,104**
Alternatives*	11,126	63,498	**74,624**
Cash	0	11	**11**
	26,631	72,028	**98,659**
Custody and other investment costs			**163**
Total			**98,822**

*includes £28.615m paid as part of the ACCESS pool

2023/24	Management fees £000	Transaction costs £000	Total £000
Bonds	0	0	**0**
Equities	0	0	**0**
Pooled investments*	14,880	5,798	**20,678**
Pooled property investments	134	0	**134**
Property	1,322	5,616	**6,938**
Alternatives	38,392	8,524	**46,916**
Cash	0	14	**14**
	54,728	19,952	**74,680**
Custody and other investment costs			**172**
Total			**74,852**

*includes £14.200m paid as part of the ACCESS pool

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10. Investment Income

	2023/24 £'000	2024/25 £'000
Pooled property investments	3,691	5,808
Pooled investments – unit trusts and other managed funds	52,772	133,967
Rents from property	33,547	36,066
Interest on cash deposits	11,090	5,954
Alternative investment income	76,095	103,839
Other	468	336
Total before taxes	**177,663**	**285,970**

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11. Investments

	Market value 31 Mar 2024 £'000	Market value 31 Mar 2025 £'000
Investment Assets		
Pooled funds		
- Fixed income unit trusts	3,140,885	3,143,681
- Unit trusts	3,762,343	3,394,004
	6,903,228	**6,537,685**
Other investments		
Pooled property investments	145,169	149,668
Alternative investments	2,146,677	2,474,372
Property	587,850	780,488
Derivative contracts:		
- Forward currency contracts	(7,121)	489
	2,872,575	**3,405,017**
Cash deposits	136,886	247,669
Total investment assets	**9,912,689**	**10,190,371**

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11a) Reconciliation of Movements in Investments and Derivatives

Period 2024/25	Market value 1 April 2024	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 Mar 2025
	£'000	£'000	£'000	£'000	£'000
Equities	0	399,017	(381,835)	(17,182)	0
Pooled investments	6,903,228	815,213	(1,280,555)	99,799	6,537,685
Pooled property investments	145,169	300	0	4,200	149,669
Alternative investments	2,146,677	529,356	(292,611)	90,950	2,474,372
Property	587,849	186,023	(12,893)	19,508	780,487
	9,782,923	**1,929,909**	**(1,967,894)**	**197,275**	**9,942,213**
Derivative contracts:					
- Forward foreign exchange	(7,121)	0	0	7,610	489
	(7,121)	**0**	**0**	**7,610**	**489**
Other investment balances:					
- Cash deposits	136,808			2,474	247,590
- Spot foreign exchange contracts	0			0	0
- Investment income due	78			0	79
Net investment assets	**9,912,688**			**207,359**	**10,190,371**

Period 2023/24	Market value 1 April 2023	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value 31 Mar 2024
	£'000	£'000	£'000	£'000	£'000
Pooled investments	6,419,927	643,354	(813,766)	653,713	6,903,228
Pooled property investments	102,009	44,295	0	(1,135)	145,169
Alternative investments	1,837,864	430,716	(186,336)	64,433	2,146,677
Property	493,000	132,428	(15,220)	(22,358)	587,849
	8,852,799	**1,250,793**	**(1,015,322)**	**694,653**	**9,782,923**
Derivative contracts:					
- Forward foreign exchange	8,695	18,191	(41,184)	7,177	(7,121)
	8,695	**18,191**	**(41,184)**	**7,177**	**(7,121)**
Other investment balances:					
- Cash deposits	207			(1,050)	136,808
- Spot foreign exchange contracts	0			(260)	0
- Investment income due	0			0	78
Net investment assets	**8,861,701**			**700,520**	**9,912,688**

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

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11b) Investments Analysed by Fund Manager

	Market value 31 March 2024 £'000	%	Market value 31 March 2025 £'000	%
Investments part of the ACCESS pool				
ACCESS Pooled investments managed by Waystone				
Acadian	647,910	6.5	589,954	5.7
Alcentra	532,056	5.3	526,456	5.2
Baillie Gifford	1,285,998	12.9	610,270	6.0
Bluebay	0	0.0	406,907	4.0
Dodge & Cox	753,836	7.6	607,255	5.8
Fidelity	470,282	4.7	462,093	4.5
Robeco	33,490	0.3	548,642	5.4
Twenty-four Asset Management	0	0.0	242,501	2.4
ACCESS Pooled investments managed by UBS	2,479,784	24.9	2,522,824	24.7
CBRE Global Investors	0	0.0	930,379	9.1
Campbell Global	0	0.0	67,689	0.7
Stafford Capital Partners	0	0.0	28,630	0.3
	6,203,356	62.2	7,543,600	73.8
Investments held outside of the ACCESS pool				
Patria	782,550	7.8	909,202	8.9
Barings	413,231	4.1	20,784	0.2
CBRE Global Investors	733,321	7.4	0	0.0
GCM Grosvenor	906,353	9.1	1,038,935	10.2
JP Morgan Alternative Asset Management	508,007	5.1	480,407	4.7
Twenty-four Asset Management	286,641	2.9	0	0.0
	3,630,103	36.4	2,449,328	24.0
Other net assets	135,587	1.4	222,844	2.2
Total	**9,969,046**	**100.0**	**10,215,772**	**100.0**

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

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

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11c) Property Holdings

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

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

	Year ending 31 March 2024 £'000	Year ending 31 March 2025 £'000
Within one year	28,660	37,980
Between one and five years	106,819	119,792
Later than five years	234,316	225,563
Total future lease payments due under existing contracts	**369,795**	**383,335**

The above disclosures have been reduced by a credit loss allowance of 2.5% per annum, reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property investment manager. In accordance with paragraphs 7.2.9.1 and 7.2.9.2 of the Code the loss allowance has been calculated based on the estimated lifetime loss allowance for all current tenancies.

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12. Analysis of Derivatives

At 31 March 2025, the Fund had open forward currency contracts in place with a net unrealised gain of £0.49 million.

Settlements	Currency bought	Local value '000	Currency sold*	Local value '000	Asset value £'000	Liability value £'000
1 to 6 months	GBP	43,687	EUR	(51,803)	153	(6)
1 to 6 months	GBP	338,942	USD	(437,029)	345	(12)
1 to 6 months	EUR	676	GBP	(571)	0	(3)
1 to 6 months	USD	9,418	GBP	(7,285)	12	(0)
Open forward currency contracts at 31 March 2025					**510**	**(21)**
Net forward currency contracts at 31 March 2025						**489**

Settlements	Currency bought	Local value '000	Currency sold*	Local value '000	Asset value £'000	Liability value £'000
1 to 6 months	GBP	362,181	USD	(369,195)	0	(7,014)
1 to 6 months	EUR	1,497	GBP	(1,492)	5	0
1 to 6 months	GBP	37,139	EUR	(37,257)	0	(117)
1 to 6 months	USD	869	GBP	(864)	5	0
Open forward currency contracts at 31 March 2024					10	(7,131)
Net forward currency contracts at 31 March 2024						(7,121)

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

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13. Fair Value – Basis of Valuation

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Market quoted investments	1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Spot foreign exchange contracts	1	Market exchange rates at the year end	Not required	Not required
Exchange traded pooled investments	1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	2	Market forward exchange rates at the year end	Exchange rate risk	Not required
Pooled investments – fixed income	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Pooled investments – property funds	2	Closing price on the final day of the accounting period	NAV-based pricing set on forward pricing basis	Not required
Freehold and leasehold properties	2	Valued at fair value at the year end using the investment method of Mark White, BSc MRICS of Colliers International in accordance with the RICS Valuation – Current Global Standards	Comparable recent market transactions on arm's-length terms	Not required

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13. Fair Value – Basis of Valuation

Description of asset	Valuation hierarchy – level	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuation provided
Alternative Investments – Private equity, infrastructure, and private debt	3	Comparable valuation of similar companies in accordance with International Private Equity Venture Capital Valuation Guidelines where appropriate or use of third-party valuers such as Duff & Phelps.	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium Loan to value multiple	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Alternative Investments - Timberland	3	Valued in accordance with International Financial Reporting Standards (notably IAS 41: Agriculture), the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice or other regional standards (e.g. New Zealand Institute of Forestry Forest Valuation Standards)	Discount rate Log price	Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

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13. Fair Value – Basis of Valuation

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with the Fund's investment managers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set below the consequent potential impact on the closing value of investments held at 31 March 2025.

	Assessed valuation range (+/-)	Value at 31 March 2025	Value on increase	Value on decrease
		£'000	£'000	£'000
Alternative Investments - Private debt	5%	473,578	497,257	449,899
Alternative Investments - Infrastructure	10%	1,024,350	1,126,785	921,915
Alternative Investments - Private equity	10%	880,125	968,138	792,113
Alternative Investments - Timberland	10%	96,318	105,950	86,686

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13a) Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

Values at 31 March 2025	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	5,990,446	697,418	2,474,372	9,162,236
Non-financial assets at fair value through profit and loss	0	780,488	0	780,488
Financial liabilities at fair value through profit and loss	0	(21)	0	(21)
Net investment assets	**5,990,446**	**1,477,885**	**2,474,372**	**9,942,703**

Values at 31 March 2024	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	5,957,942	1,090,465	2,146,677	9,195,084
Non-financial assets at fair value through profit and loss	0	587,850	0	587,850
Financial liabilities at fair value through profit and loss	0	(7,131)	0	(7,131)
Net investment assets	**5,957,942**	**1,671,184**	**2,146,677**	**9,775,803**

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

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13b) Reconciliations of Fair Value Measurements within Level 3

Period 2024/25	Market value 31 March 2024	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Alternative investments	2,146,677	529,356	(292,611)	90,950	**2,474,372**

Period 2023/24	Market value 31 March 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Alternative investments	1,837,864	430,716	(186,336)	64,433	**2,146,677**

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14 Financial Instruments

14a) Classification of financial instruments

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

31 March 2024				31 March 2025		
Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000		Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
			Financial assets			
6,903,228			Pooled investments	6,537,685		
145,169			Pooled property investments	149,668		
2,146,677			Alternatives	2,474,372		
10			Derivative contracts	510		
67,020	69,866		Cash	128,540	119,128	
	10,290		Debtors		10,946	
9,262,104	**80,156**	**0**		**9,290,775**	**130,074**	**0**
			Financial liabilities			
(7,131)			Derivative contracts	(21)		
		(3,604)	Creditors			(6,304)
(7,131)	**0**	**(3,604)**		**(21)**	**0**	**(6,304)**
9,254,973	**80,156**	**(3,604)**		**9,290,754**	**130,074**	**(6,304)**

14b) Net gains and losses on financial instruments

31 March 2024 £'000		31 March 2025 £'000
	Financial assets	
715,700	Fair value through profit and loss	180,441
	Financial liabilities	
7,177	Fair value through profit and loss	7,610
722,877	**Total**	**188,051**

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

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15. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

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

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

15a) Market risk

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

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

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

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels

- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

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

15. Nature and Extent of Risks Arising from Financial Instruments

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, the Pension Fund has determined the following movements in market price risk for the 2024/25 reporting period based on a one standard deviation movement in the value of the Fund's investments. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movements (+/-)
Overseas equities	12.72%
UK bonds	14.75%
Overseas bonds	9.21%
Property	8.34%
Alternative investments	4.71%
Cash	0.61%

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

Asset type	Value at 31 March £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
Total assets 2025	**10,190,371**	**1,024,799**	**11,215,170**	**9,165,572**
Total assets 2024	9,912,689	1,081,279	10,993,968	8,831,410

15. Nature and Extent of Risks Arising from Financial Instruments

Asset type	Value at 31 March 2025 £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
Global Equities	3,394,004	431,787	3,825,791	2,962,217
UK bonds	1,947,034	287,258	2,234,292	1,659,776
Overseas bonds	1,196,647	110,230	1,306,877	1,086,417
Property	930,156	77,535	1,007,691	852,621
Alternatives	2,474,861	116,486	2,591,347	2,358,375
Cash	247,669	1,503	249,172	246,166
Total assets	**10,190,371**	**1,024,799**	**11,215,170**	**9,165,572**

Asset type	Value at 31 March 2024 £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
Global Equities	3,762,343	457,179	4,219,522	3,305,164
UK bonds	1,908,957	317,294	2,226,251	1,591,663
Overseas bonds	1,231,928	107,224	1,339,152	1,124,704
Property	733,019	70,581	803,600	662,438
Alternatives	2,139,556	128,049	2,267,605	2,011,507
Cash	136,886	952	137,838	135,934
Total assets	**9,912,689**	**1,081,279**	**10,993,968**	**8,831,410**

15. Nature and Extent of Risks Arising from Financial Instruments

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2025 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

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

Assets exposed to interest rate risk	Value as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash & cash equivalents	434	0	434	434
Cash deposits	247,669	0	247,669	247,669
Total	**248,103**	**0**	**248,103**	**248,103**

Assets exposed to interest rate risk	Value as at 31 March 2024	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash & cash equivalents	619	0	619	619
Cash deposits	136,886	0	136,886	136,886
Total	**137,505**	**0**	**137,505**	**137,505**

Income exposed to interest rate risk	Amount receivable as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits / cash & cash equivalents	5,753	1,928	7,680	3,825
Total	**5,753**	**1,928**	**7,680**	**3,825**

Income exposed to interest rate risk	Amount receivable as at 31 March 2024	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits / cash & cash equivalents	11,090	680	11,769	10,410
Total	**11,090**	**680**	**11,769**	**10,410**

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

15. Nature and Extent of Risks Arising from Financial Instruments

Currency risk

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

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

Currency risk – sensitivity analysis

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

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

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

Asset type	Value at 31 March £'000	Potential market movement £'000	Value on increase £'000	Value on decrease £'000
Total assets 2025	**5,394,798**	**380,583**	**5,775,381**	**5,014,215**
Total assets 2024	5,089,379	360,882	5,450,261	4,728,497

15. Nature and Extent of Risks Arising from Financial Instruments

15b) Credit risk

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

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

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

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

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

The Pension Fund has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years. The Fund's cash holding under its treasury management arrangements at 31 March 2025 was £197.55 million (31 March 2024: £79.41 million). This was held with the following institutions:

	Rating as at 31 March 2025	Balance as at 31 March 2024 £'000	Balance as at 31 March 2025 £'000
Money market funds			
Aberdeen (formerly abrdn)	AAAm	7,840	18,700
Blackrock	AAAm	10,950	14,370
DWS	AAAm	7,160	15,140
Federated Hermes	AAAm	6,120	12,230
Goldman Sachs	AAAm	6,350	11,680
Insight	AAAm	7,360	18,700
Northern Trust	AAAm	7,940	23,280
JP Morgan	AAAm	13,300	14,440
Bank deposits			
Lloyds	A+	10	7,500
NatWest	A	10	10
Handelsbanken	AA-	12,370	10,000
Local authority loans			21,500
UK Treasury bills		0	30,000
Total		**79,410**	**197,550**

15. Nature and Extent of Risks Arising from Financial Instruments

15c) Liquidity risk

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025 the value of illiquid assets was £3,405 million, which represented 33.4% of the total fund assets (31 March 2024: £2,886 million, which represented 29.1% of the total fund assets).

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. All financial liabilities at 31 March 2025 are due within one year.

Refinancing risk

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

16. Funding Arrangements

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

The key elements of the funding policy are:

- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met and that sufficient funds are available to meet all pension liabilities as they fall due for payment

- to ensure that employer contribution rates are as stable as possible

- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return

- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

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

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

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

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

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

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

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

16. Funding Arrangements

Financial assumptions

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

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

The main actuarial assumptions that were used for the secure scheduled bodies in the March 2022 actuarial valuation were as follows:

Discount rate 4.4% a year
Rate of general pay increases 3.3% a year
Rate of increase to pension accounts and deferred pension increases and pensions in pensions in payment (in excess of Guaranteed Minimum Pension) 2.3% a year
In addition, in 2022 an 8% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

Demographic assumptions:

A 65 year old pensioner retiring in normal health in 2022 was assumed on average to live to 88.2 (males) and 90.6 (females), rather than 87.9 (males) and 90.4 (females) under the assumptions adopted at the previous valuation.

Allowance is made for mortality improvements such that an active member currently aged 45 is expected to live to age 88.7 (males) and 91.6 (females).

Commutation assumption:

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

50:50 option:

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

17. Actuarial Present Value of Promised Retirement Benefits

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

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

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

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

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

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

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18. Current Assets

	31 March 2024 £'000	31 March 2025 £'000
Debtors:		
- Contributions due - employees	560	1,785
- Contributions due - employers	42,108	20,508
- Transfer values receivable (joiners)	0	0
- Tax	3,042	2,548
- Sundry debtors	10,290	10,946
Cash balances	619	434
Total	**56,619**	**36,221**

Analysis of debtors

	31 March 2024 £'000	31 March 2025 £'000
Central government bodies	16,519	6,484
Other local authorities	23,618	13,876
Other entities and individuals	15,863	15,427
Total	**56,000**	**35,787**

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19. Current Liabilities

	31 March 2024 £'000	31 March 2025 £'000
Sundry creditors	3,603	6,303
Transfer values payable (leavers)	0	0
Benefits payable	824	2,157
Tax	1,782	2,360
Total	**6,209**	**10,820**

Analysis of creditors

	31 March 2024 £'000	31 March 2025 £'000
Central government bodies	1	2
Other local authorities	1,008	2,232
Other entities and individuals	5,200	8,586
Total	**6,209**	**10,820**

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20. Additional Voluntary Contributions

	Market value 31 March 2024 £'000	Market value 31 March 2025 £'000
Prudential	29,037	32,877
Zurich	2,864	2,524
Utmost	609	585
Total	**32,510**	**35,986**

During the year, AVCs of £8.119 million were paid directly to Prudential (2023/24: £ 2.227 million) and £0.002 million to Utmost (2023/24: £0.002 million). No contributions were paid to Zurich which closed to new contributions in 2021/22.

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21. Related Party Transactions

The Hampshire Pension Fund is administered by Hampshire County Council. Consequently, there is a strong relationship between the County Council and the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £50.070 million to the Fund in 2024/25 (2023/24 £312.013 million this included paying the employer pension contributions due for the three years of the Pension Fund's triennial valuation period to 2025/26).

During the reporting period, the County Council incurred costs of £4.117 million (2023/24: £3.927 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

For the year to 31 March 2025 the key management personnel of the Fund were the Director of Corporate Operations of Hampshire County Council, acting as Chief Finance Officer (CFO) to the Fund, and the Head of Pensions, Investments and Borrowing. Both of these officers charged a proportion of their time to the Hampshire Pension Fund as part of the County Council's charge for the administration of the Fund above. Details of the salary of the Director of Corporate Operations can be found in the main accounts of Hampshire County Council.

Part of the Pension Fund's cash holdings are invested on the money markets by the treasury management operations of Hampshire County Council. During the year to 31 March 2025, the Fund had an average cash balance of £94.843 million (year to 31 March 2024: £204.113 million), earning interest of £5.954 million (2023/24 £11.012 million) on these funds.

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22. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2025 totalled £805.964 million (31 March 2024: £724.041 million). These commitments relate to outstanding call payments due on unquoted alternative investment and property limited partnership funds held in the alternative investments and property parts of the Fund. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

In December 2018 the Court of Appeal ruled against the Government in the McCloud and Sargeant cases, that the underpin protections for those within 10 years of retirement is age discrimination. The underpin was a protection that was put in place when the scheme changed on 1 April 2014 and applied to members who were an active member on 31 March 2012 and were within 10 years of their normal retirement age (usually 65). The regulations containing the underpin protections came into effect on 1 October 2023 and work has continued to apply the remedy retrospectively to affected members who left before this date.The financial impact of the remedy remains difficult to determine, but it is a future liability for the Fund.

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Hampshire County Council

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1. Scope of Responsibility

Hampshire County Council is responsible for ensuring that:

• its business is conducted in accordance with the law and to proper standards.

• public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

• pursuant to the Local Government Act 1999 it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.

• there is a sound system of internal control, which facilitates the effective exercise of the County Council's functions and which include arrangements for the management of risk.

These responsibilities also extend to the administration of the Hampshire Pension Fund, which is undertaken by the Pension Fund Panel and Board.

The combined Panel and Board is responsible for investment, management and governance of the Fund.

This Statement explains how the County Council has complied with the Code and meets with the requirements of the Accounts and Audit (England) Regulations in relation to the publication of an Annual Governance Statement during 2024-2025.

2. The purpose of Corporate Governance

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the County Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hampshire County Council for the year ending 31 March 2025 and up to the date of approval of the annual report and the statement of accounts.

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

Code of Corporate Governance

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3. Core Principles of good governance

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

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

3.1.2 The County Council is committed to the highest ethical standards and has adopted a governance framework to re-enforce this philosophy as well as procedures to investigate any issues should the need arise. The framework, policies and procedures are set out in the County Council's Code of Corporate Governance which was adopted by the County Council during 2016-17 and reviewed during 2023-24. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the County Council to integrity, ethical values and the rule of law.

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

3.1.4 Significant progress has been made in recent years as the County Council continues to strengthen the governance arrangements that support our efforts to embed a culture of inclusivity and diversity and respectfulness within our workforce and the services we provide. A Steering Group, chaired by an officer from the People and Organisation directorate, brings together Inclusion leads from each directorate of the County Council. This group oversees the work now led and embedded across the wider organisation, as well as providing a focus around the wellbeing of our workforce, supported by a separate Wellbeing Group.

3.1.5 In addition, the County Council also has several staff network groups which play key roles in this space across the organisation.

3.1.6 The Director People and Organisation remains close to the work of the Steering Group, also overseeing the formal staff networks, and helps to support and drive focus. Quarterly reports are provided by the Director to the Corporate Management Team on the work the Steering Group, ensuring that Chief Officers remain sighted on this area of work, and to provide assurance that the County Council continues to meet its statutory obligations under the Equalities Act.

3.1.7 In the autumn of 2024, the County Council was re-awarded Level 2 accreditation in the Disability Confidence Scheme. This Scheme encourages employers to improve how they recruit, retain and develop disabled people and will support the Council as being an employer of choice. This accreditation remains valid until October 2027.

3.2 Ensuring openness and comprehensive stakeholder engagement.

The County Council's Corporate Strategy – the Serving Hampshire Strategic Plan - contains clear strategic aims which are communicated on the County Council's website and through various communications. The Plan provides an operating model for business planning and is informed by various directorate and partnership strategies and priorities. The current Strategic Plan covers the four-year period 2021-2025. A mid-term review of the Strategic Plan was completed during 2023/24 which incorporated some minor amendments to clarify and strengthen alignment with the separate Hampshire 2050 vision, and to reflect changes to the County Council's priorities since the plan was first approved in 2021. The reviewed plan was agreed by Cabinet in July 2023 and County Council in September 2023 and shared with the Hampshire 2050 Partnership in November 2023.

3.2.1 During the latter months of 2024/ 2025, work began to develop a new Strategic Plan for 2025. This plan will be underpinned by a new 'Hampshire Pledge', which outlines the commitments made by the council to residents, sets out the County Council's commitments to residents to deliver quality essential public services, and the actions that residents can take to help the County Council lower its costs and continue delivering the services upon which many residents rely.

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3.2.2 Clear guidance and protocols on decision making, effective arrangements for the approval of exempt reports and easy to use templates for decision reports and records ensure that that the County Council takes decisions in public when appropriate and after a full consideration of relevant factors. Details of the framework relevant to decision making is set out in the Corporate Governance Framework. During 2024 an internal audit was completed in relation to 'Meeting publications', which sought to assess the effectiveness of the controls in place. An assurance opinion of substantial was provided, noting that "a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied".

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

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

3.2.5 Consultation methodology is based on stakeholder analysis and equality impact assessments undertaken at the outset of planning any engagement. This informs the best approach to reaching the target audience (supported through a comprehensive communications plan), including those who may be harder to engage. Alongside more traditional forms of engagement, such as surveys, the County Council employs creative tools and techniques where appropriate to engage different audiences, including working with the County Councils cohort of Community Researchers (established during the Pandemic) to support a number of Public Health priorities.

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3.2.6 Digital platforms, such as Viewpoint which is used for engagement on transport projects, are increasingly being used to engage more diverse audiences. The regular residents' survey 'Hampshire Perspectives' also continues to support the County Council's insight into residents' opinions.

3.2.7 Where appropriate, responses to consultations are monitored throughout the fieldwork period to track respondent demographic, enabling an agile approach to be adopted to targeted promotional activities in areas of under-representation.

3.2.8 The County Council undertakes a broad range of employee engagement through a wide range of platforms and channels, including the recent development of employee focus groups. This engagement helps to inform and develop our internal communications strategies, which are especially critical during periods of significant change impacting our workforce.

3.2.9 The County Council has adopted a revised Complaints Policy in line with the Local Government and Social Care Ombudsman's Complaint Handling Code. It has supported this and its Zero Tolerance Statement by adopting an Unacceptable Actions by Customers Policy. This has improved the process for resolving complaints and protecting staff from unreasonable behaviour.

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

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

3.2.12 Annual benefit statements are provided to contributors and deferred pensioners by 31st August each year. The fund also provides an annual newsletter to pensioners each April, and from 2023/24 also now provides an annual newsletter for Active and Deferred members.

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

3.3.1 The strategic aims set out in the Serving Hampshire Strategic Plan include a description of the County Council's overarching ambitions for delivering positive economic, social and environmental outcomes for Hampshire. These aims are underpinned by a series of key priorities, which reflect, and are supported by, other detailed directorate plans and strategies. Progress against the strategic aims and priorities is tracked through regular performance updates to the County Council's Corporate Management Team and an annual performance report to Cabinet. Arrangements for reporting corporate performance are set out in the County Council's Corporate Performance Assurance Framework.

3.3.2 All reports to decision making bodies must also demonstrate their link to the Serving Hampshire Strategic Plan, as well as the results of the relevant impact assessments. Equality Impact Assessments and Climate Change Impact Assessments (the latter applying two decision-making tools to assess the carbon emissions and resilience impacts of relevant projects and decisions) are also required of relevant decisions.

3.3.3 The corporate Performance Assurance Framework underpins the Serving Hampshire Strategic Plan. As previously reported, the framework was refreshed in 2023 from the previous Performance Management Framework, to more clearly demonstrate the much wider range of sources of assurance that exist, and which underpin the work of the County Council aligned to the ambitions set out within the Strategic Plan.

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

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3.3.5 The policy was further updated by a decision of the PFPB in March 2024, which amended the policy to state 'that the Pension Fund will work towards disinvesting from fossil fuel investments'.

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

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

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

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

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

3.4.5 Equality Impact Assessments (EIAs) are routinely used throughout the organisation to assess the impact of service proposals and to inform decision making.

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

3.4.7 A medium-term financial strategy and three-year capital programme is updated each year together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the County Council operates. The absence of a multi-year financial assessment has made financial planning difficult, but the County Council continues to plan for the medium-term using assumptions set out in the Medium-Term Financial Strategy (MTFS).

3.4.8 Risks associated with the achievement of intended outcomes are detailed in the corporate Risk Register system, which itemises both corporate strategic risks (those impacting across the organisation) Corporate (cross-cutting) as well as those managed at a directorate level, and more recently providing the option to capture risks at a service level. The risk system captures a range of information relating to each risk, including the controls in place and the assessed effectiveness of these, and the risk score based on impact and likelihood. It also identifies proposed future controls that are expected to further improve the mitigation of risk. Directorate Management Teams regularly review their risk registers, providing and update on any key risks to the Corporate Management team as part of a six-monthly corporate risk report provided by the Chair of the Risk Management Steering Group.

3.4.9 In addition, a full review of the 'Corporate Strategic Risk' register has been undertaken with the Corporate Management Team during 2024, to ensure that all of the risks captured continue to adequately reflect the current risk profile for the County Council, to ensure appropriate controls had been identified for these risks, and to assess the effectiveness of these controls. Each of these risks are assigned to a Risk Owner (each a member of the Corporate Management Team), During 2024, work was undertaken with each of the risk owners by the Chair of the Risk Management Steering Group to understand how they gained assurance of these risks and the effectiveness of the controls identified.

3.4.10 A Corporate Risk Management update report is provided to the Cabinet and Audit Committee on an annual basis, most recently in November 2024 and January 2025, respectively.

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3.4.11 The Reading Hampshire Property Partnership Limited (RHPP) is a public-to-public partnership arrangement between Hampshire County Council (HCC) and Reading Borough Council (RBC) for the delivery of property related services. The RHPP was formally established as a limited company in April 2014 and operated in accordance with the Companies Act 2006. Two named senior officers from each partner organisation were appointed to the roles of Directors of the RHPP and the Board of Directors meets formally twice a year. The Partnership concluded its work with RBC at the end of March 2025 and ceased trading.

3.4.12 The RHPP accounts are filed with Companies House and appropriate insurance is held to cover risks.

3.4.13 The County Council holds a joint 999-year lease with Basingstoke and Deane Borough Council of around 820 hectares of land located to the west of Basingstoke known as Manydown. In respect of the first phase, the land north of the main Southampton to London railway referred to as Manydown North, the two Councils have entered into two separate but related Joint Venture arrangements.

3.4.14 The first, established between the two Councils is the Manydown Garden Communities (MCG) LLP, whilst the second known as the Manydown Development Vehicle (MDV) LLP is between the two Councils (as MGC) and the selected development partner Urban and Civic Ltd. Each JV has a regular Board meeting and various legal agreements set out the basis of the County Council's representation at each Board and the associated roles and responsibilities for each Board Director.

3.4.15 For the MGC LLP, there is one Elected Member and 2 Senior Officer representative (including approved substitutes). For the MDV LLP, the County Council's interests (on behalf of MGC) are represented by the same 2 Senior officers, together with a third nominated Officer, again with approved substitutes. The Member and Development Agreements set out: the responsibilities of each Board; delegation policies and matters to be escalated; approval of either an Annual and/or Overarching Business Plan (including Budget); the measurement of performance against each Plan, together with the management and oversight of potential emerging risks and issues.

3.4.16 The MGC LLP and MDV LLP accounts are separately audited and reported to Companies House. The Annual/Overarching Business Plan(s) are reported to the County Council's Leader and Executive Member for Hampshire 2050 and Corporate Services for approval.

3.4.17 Connect2Hampshire is the trading name for Hampshire and Kent Commercial Services LLP, a joint venture partnership arrangement between the County Council and Kent Commercial Services Ltd (part of the Commercial Services Group owned by Kent County Council). The governance of Connect2Hampshire is underpinned by the LLP Members agreement, which sets out in detail the management arrangements for the joint venture through its Board and Executive Board. The membership of these boards includes the Director People and Organisation as one of the two LLP Board Members, as well as the Deputy Director People and Organisation as a Senior Board Officer on the Executive Board. This enables the County Council's interests to be fully represented within the decision making of the LLP, as well as ensuring the successful performance of the LLP to meet the County Councils broader workforce objectives.

3.4.18 The Board's responsibilities include agreement of the annual business plan, understanding the LLPs performance against this plan, and the management and oversight of potential emerging risks and issues. The expected levels of service performance are set out within a separate Joint Accountability Statement agreed between HCC and the LLP, with performance against defined Key Performance Indicators being reviewed on a quarterly basis through meetings held between Connect2Hampshire and Senior Officers of the County Council. Clear routes of escalation exist through to HCC's Corporate Management Team, should this be required. The LLP accounts are separately audited and reported to Companies House.

3.4.19 During 2024/25 an internal audit was completed to review the governance and assurance framework in place within the County Council, to oversee the activities and performance of Connect2Hampshire, and to ensure that the framework is being implemented in practice. This framework includes annual reporting to the Corporate Management Team, the Employment in Hampshire Council County Council Committee 'EHCC', and the Executive Member for Hampshire 2050 and Corporate Services. An assurance opinion of 'substantial' was provided, noting that 'a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied'.

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3.4.20 The current agreement with Connect2Hampshire is for six years, with an option to continue this for up to a further four years. During 2024/25, a strategic review has been undertaken of the joint venture partnership, agreement which has confirmed that the existing arrangement continues to align with the County Councils own strategic objectives and proving to be highly effective and beneficial in meeting the organisations temporary workforce requirements.

3.5 Developing the County Council's capacity including the capability of its leadership and the individuals within it

3.5.1. The relationship between Members and Officers is led by the Leader of the Council and the Chief Executive who have established a culture of mutual respect and co-operation. The role of the Chief Executive is set out in the County Council's Constitution and is well understood by the Members of the County Council. The Protocol for Member Officer Relations also provides clear guidance for both officers and Members on how to manage their relationships effectively.

3.5.2 The County Council's Member Development Group was reintroduced in 2023 and overseas all member training matters, including 'induction' and 'member briefings'.

3.5.3 The County Council's Member Induction Programme is well established. Prior to receiving confirmation that the 2025 County Elections would be deferred, work had commenced to review the existing programme.

3.5.4 Aspects of this induction plan will continue to be provided to any new Member appointed as a result of a by-election. The programme also builds on the established monthly Member Briefing Programme which continues to be well received by Members. The programme continues to be delivered virtually to offer flexibility of attendance (providing Members with access to recordings of the briefings where unable to attend, or wanting a refresher on a topic), and supplemented by in-person topic-specific briefings as required.

3.5.5 The Programme has included annual corporate topics such as finance, treasury management and the County Council's workforce reporting together with Directorate specific updates and regular updates on economic recovery and resilience from the Chief Executive and Corporate Management Team. More recently briefings in relation to 'Devolution' and 'Local Government Reorganisation' have been held to ensure that Members remain sighted on developments in these areas, and these will continue to remain key topics for briefings during 2025/26, alongside other more business-as-usual topics. Members also have access to development resources available through the Local Government Association, alongside the opportunity to participate in external training events and seminars to support upskilling and knowledge refresh.

3.5.6 Members of the Joint Pension Fund Panel and Board and officers in Corporate Operations have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate. The PFPB members are also required to complete the 'LGPS Online Learning Academy' which is external modular based training provided via a portal provided by our Actuary Hymans.

3.5.7 A training plan for members of the Joint Pension Fund Panel and Board is prepared annually, and training logs for individual members are maintained. The members self-assessment helps inform the training plan, and additionally during 2023/24 PFPB members completed a 'LGPS Knowledge Progress assessment' questionnaire (working with our Actuary Hymans) to identify potential knowledge gaps to support the training plan requirements.

3.5.8 In addition, members of the Audit Committee were provided with additional briefings in September and November 2024. These focused on key financial topics including; reviewing and questioning HCC Financial Statements; monitoring External Audit (Ernst Young) findings and opinions; and scrutinising the County Council's Treasury Management requirements and processes. These were delivered to support their understanding of a number of reports in relation to these topics over the final months of the year. The committee members will be asked to complete an HCC designed fuller self-assessment of their related knowledge (aligned to the 2022 'CIPFA Audit Committees practical guidance for local authorities and police'), following the May 2025 AGM, intended to identify any potential gaps in knowledge to inform the future development plan for the Committee.

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3.5.9 The County Council continues to regularly review the shape of its workforce against the needs of the service in the context of its capacity and capability requirements. This then informs a range of strategies, for example, recruitment, retention, operating models, ways of working and people development to provide effective leadership and deploy appropriate resources to meet the needs of services. In addition, each Directorate can articulate areas of their workforce where there are specific issues or concerns and have Workforce Strategies and plans in place where necessary.

3.5.10 The Annual People Report continues to provide a good understanding of our people in relation to the various stages of the 'employee life-cycle' (Attract, Resource, Onboard, Perform, Develop and Progress, Reward and Recognise, Retain and Leave). It references areas of attention and work that have been undertaken to address the workforce challenges facing the County Council in the light of the national and local labour market post pandemic. Initiatives to help overcome these challenges across the wider organisation are prioritised, led and governed through the Corporate Management Team.

3.5.11 Lessons learned reviews are undertaken where necessary and appropriate and are completed from a 'system wide' perspective. During 2025, a new corporate framework for Lessons Learned will be launched which will standardise the approach across the whole organisation. This new framework will underpin and further strengthen how these reviews are undertaken, ensuring that clear conclusions, recommendations, agreed actions, and owners are identified with a clear process for implementation to ensure learning is embedded effectively into future practice.

3.5.12 Work, led by the Corporate Management Team, has continued throughout 2024/25 to ensure that the County Council is 'Fit for the Future'. The Council continues to develop a stronger culture of working as One Organisation, and a focus on Corporate Directorship though our Corporate Management Team of the County Council as a whole. The creation of a single shared organisational vision, values and expected behaviours has provided clear purpose and direction to the organisation's workforce, underpinning what we are here to do, and how we will work to achieve this.

3.5.13 Building on the early stages of our 'Fit for the Future' journey (which included a review of our high-level organisational model, moving away from Departments to Directorates, and a review of our Senior Leadership Team and the creation of a new Chief Officers Group), we have continued to use our agreed 'organisational' principles to further shape, design and develop our broader future operating models to ensure these remain fit for purpose in the short and medium term, but aligned to the County Councils agreed core purpose.

3.5.14 The Council's Valuing Performance policy provides a framework for staff and managers to meet, discuss and set goals in line with service requirements, following which regular reviews of performance, learning and progress takes place. Staff continue to be held accountable for their own and their teams' performance and are encouraged to use the range of learning opportunities that are available across the Council.

3.5.15 The Council has a thorough management and leadership development programme available both for existing leaders as well as those identified as 'high potential'. These leadership programmes are underpinned by a Leadership and Management Behavioral framework, together with a Leadership apprenticeship programme.

3.5.16 This framework takes account of the changing needs of our business and workforce, in order to ensure that our leaders and managers are equipped to best meet the future needs of the County Council. The framework focuses on competencies and behaviours in relation to 'Leading self and others', 'Business and Commercial', 'Optimising Digital', 'Enabling Change' and 'One Organisational Approach' and compliments the County Council's vision, values and broader behaviours, which contribute to our One Organisation culture.

3.5.17 Organisational development is delivered through a range of means led by both Corporate and Directorate Management teams as appropriate.

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3.5.18 There is a continued emphasis on the need for high performance and resilience. Health and wellbeing and continuous development are critical elements in the regular one to one discussions between managers and staff particularly for those roles that include hybrid working. The suite of resources continues to be developed and provides a significant range of information and support for managers and staff.

3.5.19 Health and Wellbeing continues to be a key focus for the Corporate Management Team, the Inclusion, Diversity and Wellbeing Steering Group, and Directors and their DMTs, and forms part of regular discussions at team meetings across the organisation.

3.5.20 To further support our understanding of our workforce's continued wellbeing regular monthly wellbeing 'pulse' surveys are undertaken where 1/12th of the organisation is polled. Results of these surveys continue to inform activities or actions that would support staff in meeting the County Council's objectives.

3.5.21 The Wellbeing Task Group, chaired by Senior Officers within the People & Organisation directorate and Adults' Health & Care (Public Health), have continued to lead in this space alongside representatives from all Directorates, with actions embedded within the overarching strategic Inclusion, Diversity and Wellbeing work programme.

3.5.22 The County Council recognises the importance of its staff networks to supporting the inclusion and diversity of its workforce. All formal networks continue to have action plans in place, which align with and support the strategic Inclusion, Diversity and Wellbeing work programme.

3.5.23 Of specific note during 2024/25 is the continued work undertaken to enhance our colleague's knowledge and understanding of people's lives, differences, and wellbeing, through facilitated conversations across the organisation entitled 'let's talk about….', as well as a number of other accessible resources. This supports individual and organisational learning and development and progresses our Inclusion, Diversity and Wellbeing agenda.

3.6 Managing risks and performance through robust internal control and strong public financial management.

3.6.1 The County Council's Corporate Strategy is underpinned by the Corporate Performance Assurance Framework, which establishes how the County Councils performance against the Serving Hampshire strategic plan is assured and reported against. This includes an annual report to Cabinet in relation to how the County Council is meeting the strategic outcomes set out within the Strategic Plan.

3.6.2 In October 2024, the council's core risk and resilience service areas were consolidated into a newly established Organisational Resilience function. A new Head of Organisational Resilience role was appointed to oversee Corporate Risk Management, Corporate Health and Safety, Emergency Planning and Resilience, and Information Governance. This new appointment provides a fundamental role in strengthening assurance, compliance, and enforcement of risk function policies, procedures, and controls throughout the organisation. The integration of the four risk and resilience service areas will collectively use its expertise and professionalism to ensure that the organisation can better understand its risks and resilience strategies and further strengthen organisational resilience across the entire council.

3.6.3 The County Council's Risk Management Strategy, covering the period 2022-2025, was approved by Cabinet in October 2022. Oversight of this Strategy is provided by the Corporate Risk Management Steering Group, who drive forward initiatives and improvements to achieve the Strategy's aims and objectives. This includes provision of corporate guidance on risk management best practice, to support staff to manage risk effectively and consistently. An update to Cabinet on progress of the Corporate Risk Management Strategy is provided annually, along with a confidential view of the County Council's Corporate Strategic Risk Register.

3.6.4 To strengthen risk management arrangements, three cross directorate -groups form part of the overall risk governance approach, reporting to the Corporate Risk Management Steering Group– the Resilience Management Group, the Health & Safety Management Group, and the Information Governance Management Group. The Risk Management Steering Group, and the three Management Groups have reviewed and refreshed their terms of reference and membership during July and October 2024 respectively.

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3.6.5 The Corporate Risk Management Steering Group continues to report twice a year to the Corporate Management Team, setting out the latest position on the Corporate Strategic Risk Register (including current levels of assurance in relation to the controls for these, and any emerging potential new risks), a high-level overview of Directorate risk registers (including any key risk updates), as well as any broader recommendations for improvements or developments which the Steering Group consider would further strengthen the risk management approach and culture within the County Council.

3.6.6 The Director People and Organisation also submits an annual report to the Audit Committee who are responsible for considering the impact of the County Council's risk management arrangements and having oversight of the Corporate Strategic Risk register. The Director People and Organisation also submits an annual report to the Audit Committee who are responsible for considering the impact of the County Council's risk management arrangements and having oversight of the Corporate Strategic Risk register. The corporate guidance for staff clearly sets out the organisation's governance structure for managing risk effectively, including roles and responsibilities.

3.6.7 Key operational and strategic risks at both directorate and corporate level are actively managed and monitored by a named Risk Owner and Risk Control Manager. These risks are recorded in the Corporate Risk Management System with confirmed review dates in line with an appropriate frequency (i.e. every 1, 3 or 6 months), and captures the governance and assurance arrangements that provides monitoring and oversight of risk controls. During 2024, the system has been developed further to capture and escalate Service level risks, as determined by directorates.

3.6.8 All risks on the Corporate Strategic Risk Register are also reviewed on an annual basis by the Chair of the Risk Management Steering Group with the Corporate Management Team as a collective (as the Risk Owners), to ensure these adequately reflect the current risks to the organisation, that key controls have been identified, and that these are operating effectively.

3.6.9 The most recent review during 2023 also sought to align the Corporate Strategic Risks with the strategic outcomes and priorities as set out within the Serving Hampshire Strategic Plan. It also strengthens alignment with the County Councils Corporate Resilience framework and associated plans (which set out the organisations approach to business continuity and resilience), supported through the inclusion of a new Corporate Strategic Risk which sets out the controls in place to safeguard our ability to provide an effective response and recovery to emerging incidents which are outside of our control, both in terms of our internal business continuity and our statutory responsibilities as a category 1 responder as required by the Civil Contingencies Act.

3.6.10 In 2024, a large proportion of the resources within the Emergency Planning and Resilience Team were realigned to enable us to strengthen our resilience and business continuity strategies. A new Business Continuity Policy and associated 2-year programme was agreed by the Corporate Management Team in December 2024, defining the approach the Council will adopt to embed business continuity into its culture, policies and practices. The policy, together with the underpinning programme of work, provides a clear and consistent one organisation approach to business continuity management. It commenced in February 2025, with its progress being reported at every Risk Management Steering Group meeting.

3.6.11 Work was progressed during 2024 with the Chief Officers Group to consider and define the current and future risk appetite of the organisation. This work created a suite of risk appetite statements, intended to support and inform the County Councils future decision making. The statements have been incorporated in to the Risk Management Strategy agreed by Cabinet in November 2024.

3.6.12 A comprehensive Information Governance Framework is in place, overseen by the Data Protection Officer, with further oversight by the Risk Management Steering Group, which includes the County Council Senior Information Risk Officer, and Directorate Senior Information Risk Officers.

3.6.13 The County Council regularly monitors its IT systems in the context of cyber security and in recognition of the ever-changing risks in this area, a programme of work continues to be progressed which seeks to further strengthen and improve awareness and management of cyber security risks.

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3.6.14 As part of the Business Continuity Programme of work, the Emergency Planning and Resilience team and the IT Service will develop a framework to strengthen the organisation's resilience against a ransomware/cyber-attack or general prolonged loss of IT. This framework will bring together a pre agreed one-organisation response, whereby directorates have clear guidance on the tools they can use in response to such an incident, collectively enhancing our preparedness against an increasing threat.

3.6.15 Another key risk area is the health and safety of our staff, residents, students and visiting public. To continually understand and mitigate this ever-evolving risk, several Health and Safety groups exist at both the directorate and corporate level. The attendees of these groups have direct access to the Risk Management Steering Group, meaning a clear escalation path exists to raise issues and decide upon required actions and mitigations.

3.6.16 Furthermore, a full operating model review of the Corporate Health and Safety Team has been undertaken by the Head of Organisational Resilience and agreed by the Corporate Management Team in January 2025. This new operating model will seek to deliver a more coherent and 'one-organisation' approach to Health and Safety management. It also increases the capacity of the team to deliver greater assurance and preventative activities, with the aim being to reduce the number of incidents and accidents across the organisation.

3.6.17 The Audit Plan 2024-25 was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the County Council's key risks and objectives, this included a review of the County Council's risk management processes.

3.6.18 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the County Council.

3.6.19 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Anti-Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.

3.6.20 Separately, an annual Audit Plan is developed for the Hampshire Pension Fund, providing assurance aligned to the Pension Fund's key risks, covering pension fund investments, governance, administration of pension benefits, cyber security and the pension system.

3.6.21 The delivery of the internal audit plan enables the Chief Internal Auditor to provide an annual conclusion report which includes an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Corporate Management Team and the Audit Committee.

3.6.22 The County Council's Audit Committee is well established and reports to Full Council. Members of the Audit Committee have no executive responsibility for the management of the organisation, thus ensuring that they are sufficiently independent to scrutinise and challenge matters brought to their attention. The Audit Committee's new Terms of Reference specifically provide that no member of the Executive can be a member of the Audit Committee.

3.6.23 The Audit Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.

3.6.24 For the Hampshire Pension Fund, the Fund's Chief Internal Auditor provides an annual conclusion report which includes an assurance opinion to the Pension Fund Panel and Board based on delivery of the internal audit plan.

3.6.25 The County Council has a well-developed and effective scrutiny function, the structure of which is formalised through the County Council's Constitution. A pre-scrutiny approach enables Members to be engaged early in the process to ensure they can robustly challenge the Council's decision-making, to participate in policy review and development, and monitor the performance of the County Council as a whole.

3.6.26 A wide range of policy topics have been scrutinised in line with the organisation's strategic objectives including in-depth scrutiny by way of task and finish activity. The scrutiny function is supported by a nominated Scrutiny Officer (agreed by County Council), as well as experienced officers in Democratic and Member Services together with input from specialist officers in the service directorates.

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3.6.27 The County Council has strong financial management arrangements at both the strategic and operational level. The audit of the annual statement of accounts has been impacted in recent years by the national audit backlog, which has resulted in disclaimed audit opinions for 2022/23 and 2023/24. The disclaimed audit opinions do not reflect any issues found by the auditor with the accounts, they simply reflect the impact of the audit backlog and the measures put in place to address this. Where the auditor has completed the required assessments of value for money arrangements this has not identified any risks of or actual significant weaknesses in arrangements. The Pension Fund had unqualified accounts in both 2022/23 and 2023/24.

3.6.28 The Section 151 Officer is a member of the Corporate Management team and all formal financial decision making has the benefit of the advice and review of the Chief Financial Officer (CFO) or his representative.

3.6.29 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.

3.6.30 Financial management in key risk areas across the County Council focusses on activity and performance management alongside the budget management processes and the financial management framework throughout all tiers of the organisation is appropriately advised and supported by the Finance Service, with a particular focus on the change management programmes that have been a feature of Directorate activity for many years.

3.6.31 A framework for the roles and responsibilities of budget holders and their interaction with the Finance Service has been rolled out across all directorates and are proving effective in improving the financial accountability and expectations of budget managers. As part of the approach, the CFO maintains a system of robust scrutiny of the current financial position and forward forecast for the next two years for each Directorate alongside appropriate reporting to the Corporate Management Team and Cabinet.

3.6.32 However, established approaches to building financial resilience are being undermined by sustained demand and cost pressures which continue to significantly outstrip the ongoing resources available to the Council. A draw from the Budget Bridging Reserve of £74.1m was needed to balance the 2024/25 budget, with a further draw of £64.9m draw needed to balance the 2025/26 budget.

3.6.33 The County Council has responded to the challenges of the financial position in a number of ways. A Legal Minimum Service Level exercise, outlined in the previous Annual Governance Statement Action Plan has been carried out. This involved consideration of savings that could be made if the County Council returned to its core purpose and delivered services at the legal minimum level. This detailed work was reviewed by an independent panel of experts. Some further savings opportunities were identified, which are being explored. However, the overall outcome of this exercise was that the County Council is not able to find sufficient recurring savings to bridge the budget gap.

3.6.34 Following this and as part of setting the budget for 2025/26 the County Council applied for Exceptional Financial Support in the form of an above referendum limit increase in Council Tax (14.99% increase proposed). This application was rejected by Government. This increase would have allowed the organisation to address a significant part of the budget deficit and to retain sufficient reserves to respond to future challenges.

3.6.35 The County Council was forecasting a significant in year overspend during the first part of the financial year. As a response to this spend controls were introduced. These included recruitment controls and the controls on non-essential non-pay spend. In January these controls were formalised with the introduction of Directorate spend control boards supported by a spend control application. The forecast overspend has reduced throughout the year, in part as a result of these changes.

3.6.36 In summary, the organisation's financial challenges mean that strong financial management, including attempts to address the underlying causes of the financial challenges, has been a central focus for the organisation this year.

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3.6.37 The CIPFA Financial Management (FM) Code was formally adopted across local government from the 2021/22 financial year. The FM Code sets out the six principles of good financial management, which it then translates into a list of financial management standards which local authorities should test their conformity against.

3.6.38 The County Council has undertaken an evidence backed assessment of its compliance with all of the financial management standards in the Code. Based on this, the County Council has ascertained that it is compliant with the Code. Although compliant, the County Council will still always actively seek to make further developments and improvements as opportunities are identified for example through risk reviews and performance management.

3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.

3.7.1 The report writing guide, protocols and templates referred to in the Code of Corporate Governance and the involvement of senior directorate officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.

3.7.2 The Corporate Performance Assurance Framework provides transparency to the range of annual reports and performance measures which form part of the County Council's overall performance assurance, aligned to the Serving Hampshire Strategic Plan. Annual reports are considered by the Corporate Management Team and Cabinet, and are published online and are accessible to staff, partners and the public.

3.7.3 The 'Internal Audit Charter' which includes the internal audit mandate, is presented annually for approval by the Audit Committee. The Charter makes provision that 'Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the County Council, and particularly those who serve on committees charged with governance (i.e. the Audit Committee). Private meetings, without senior management present, are also offered to the Chair of the Audit Committee.'

3.7.4 The on-going work of internal audit is presented through a progress report or annual conclusion report to each meeting of the Audit Committee providing an overview of service performance; delivery against the plan; and progress made by the organisation in the implementation of management actions agreed to mitigate risks identified through internal audit work.

3.7.5 Representatives of External Audit routinely attend Audit Committee meetings and present all External Audit reports. Any recommendations for corrective action detailed within External Audit reports are highlighted to Members who will track through to implementation. This is achieved through the clear and concise nature of the minutes to each meeting.

3.7.6 The internal audit plan includes provision to review the County Council's approach to governance, risk and controls for partnership working. The outcomes of such reviews are formally reported in the progress reports to the Audit Committee, with any significant issues highlighted accordingly.

3.7.7 Where appropriate internal audit will gain assurances from third parties to contribute to their overall assurance opinion.

3.7.8 Financial reporting complies with relevant statute, codes and good practice guidance and financial and performance information are reported consistently throughout the year alongside each other. Where relevant and appropriate performance comparisons are made to other organisations.

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4 Obtain assurances on the effectiveness of key controls

4.1 Appropriate assurance statements are received from designated internal and external assurance providers.

4.2 Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on regular returns. These are consolidated into the risk registers at corporate and directorate level. Internal Audit, as part of its planned risk-based review of internal controls regularly evaluates the key controls in place to mitigate risk to determine their adequacy and carries out tests to confirm the level of compliance with the control framework. The results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed.

4.3 For each risk-based review, this assurance is given to relevant managers in the form of an audit report and regular summaries are provided for Chief Officers and the Audit Committee to ensure each level of the County Council's management is kept informed of findings and assurance opinions.

4.4 External sources of assurance include the annual opinion and value for money conclusion by external auditors, and statutory inspections of adults' social care services, and children's services. These reports are subject to consideration by senior management and Members of the County Council, and appropriate response to any recommendations for improvements are agreed. These reports and responses are normally approved in public and published.

4.5 Where results of external inspections provide further assurance of the County Council meeting the priorities set out within the Strategic Plan, these also inform part of our performance assurance assessment, in line with the Corporate Performance Assurance Framework.

5 Evaluate assurances and identify gaps in control/assurance

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

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

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

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

• a self-assessment assurance statement being completed every year by all Chief Officers giving assurance about the governance arrangements in their Directorate.

• consultation with other relevant officers throughout the County Council.

5.5 In line with the Internal Audit Charter, approved by the Audit Committee in March 2024, and which is available on the County Council's website, the key elements of the Corporate Governance framework are risk assessed and included in the risk-based internal audit plan as appropriate.

5.6 The assurance statements cover a range of Corporate Governance and performance issues which refer to the existence, knowledge and application within directorates governance policies generally.

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

5.8 Directorate Corporate Governance assurance statements were sent out to directorates in early 2025.

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

6.1 Continuous improvement of corporate risk management across the organisation, by further strengthening and maturing the role of the Corporate Risk Management Steering Group as a key driver for effective risk management. Develop the next Risk Management Strategy 2025-28, informed by external and internal reviews of our current risk management framework. **Action Owner: Steph Randall**

6.2 Embed the new Business Continuity Policy agreed by the Corporate Management Team in December 2024 and monitor the associated underpinning programme of work that will strengthen the organisations' resilience and business continuity strategies. **Action Owner: Steph Randall**

6.3 Embed the new Organisational Resilience service to enable it to strengthen assurance, compliance, accountability and enforcement of appropriate risk frameworks and controls across the organisation (for example, fully embedding Health & Safety accountability framework). **Action Owner: Steph Randall**

6.4 Implement a new operational model for the consistent handling and processes of Information Governance in directorates across the organisation, informed by an Internal Audit review. **Action Owner: Steph Randall**

6.5 Review the requirements for the 2025 Member Briefing programme to ensure all Members remain up to date with key topics, and able to access refresher briefings. Identify any specific development training requirements for Members holding specific roles (for example, training for Chairs of County Council Committees) **Action Owner: Steph Randall**

6.6 Transition the Children's Service's Mosaic Recovery programme to 'Business as Usual' resources and governance, in Spring 2025 and conclude all outstanding activity by August 2025. This will include moving the ongoing BAU ownership of Mosaic payments to the Brokerage and Billing team in AHC/CSD Shared Services **Action Owner: Sarah Snowdon**

6.7 The Corporate Management Team will develop and implement an action plan to review and enhance the corporate culture and practice in relation to:

- Compliance with regulatory and operational requirements.
- Record keeping in relation to regulatory and operational requirements.
- The governance and reporting in place for senior managers to assure themselves that controls relating to high-risk areas are being managed to effectively mitigate the risks.
- The data provided to senior managers to confirm compliance with regulatory and legal requirements.
- Proportionate and effective challenge to assurances provided.

Action Owner: Stuart Ashley/Jac Broughton

6.8 Work will be undertaken in directorates to identify any surveillance activity undertaken by the County Council to ensure that that the assurances given to Audit Committee about surveillance activity cover all surveillance activities undertaken by the County Council. **Action Owner**: **Richard Strawson**

6.9 Two separate audits in Hampshire Transport Management (HTM), undertaken in 2025, have identified the need for management interventions and actions to ensure this critical service can continue to meet its minimum legal requirements. It is important to note that all County Council managed fleet vehicles, as well as the frontline workshop sites, remain fully operational, fit for purpose, and compliant with the relevant regulatory requirements.

The issues identified in the audits relate mainly to record keeping, adherence to established business processes and procedures, general day-to-day governance of the service, and also inefficiencies in the IT support systems used, rather than specific vehicle compliance issues. At no time have County Council vehicle users or passengers been at risk.

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An external specialist fleet management resource has been commissioned to help address the immediate highest priority actions which will include putting in place improvements to general health and safety management at frontline workshop sites, including fire safety, and also reviewing how vehicle/equipment compliance data is managed. The majority of these actions are expected to be completed by end September 2025, if not before, and all will be completed by the Highways (HTM) senior management team with assistance from the aforementioned specialist external resource by the end of the financial year. **Action Owner: Patrick Blogg**

6.10 Southern Internal Audit Partnership completed a review of Hampshire Equipment Service. The Hampshire Equipment Service (HES), which is part of the Adults' Health and Care Directorate is responsible for the timely provision of equipment to service users in response to referrals from Acute Hospitals, Community Hospitals, Community Health Teams, and Social Care Teams.

The scope of the audit was to seek assurance that HES have implemented measures which will ensure a robust approach to preventative and protective measures regarding lifting equipment including hoists. The audit is at a draft stage but has bought to light issues with the validation of data.

A special team have been put in place to address the validation of data regarding lifting equipment and to ensure that we know where equipment is and that it is inspected and maintained. These issues are being urgently addressed with priority work to be completed by the end of May. Subsequent work will be undertaken to ensure that there are sustainable systems in place to manage this work in the future which will be completed by the end of October 2025. **Action Owner: Jess Hutchinson**

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

In response to the Action Plan identified in the 2023/24 Annual Governance Statement: -

Action: 7.1 Deliver the Risk Management Strategy 2022/25 and include newly developed work on understanding the County Council's risk appetite.

Action Owner: Steph Randall

Update: The Risk Management Steering Group (RMSG) has continued to deliver and have oversight of the Risk Management Strategy 2022/25. This group ensures that governance and reporting (at senior level) arrangements have remained regular, and a programme of work has been implemented to strengthen our one-organisational approach to identifying and managing risk. Examples include the introduction of a new Policy on Mobile Messaging, strengthening the Zero Tolerance framework, development of a Lessons Learned framework, advancement of staff guidance to enhance response and recovery from ransomware attacks.

Continued focus has remained on assurance of corporate strategic risks mitigation measures, through individual discussion with Chief Officer risk owners. Additionally, six monthly reports on Directorate risk profiles have provided assurance to CMT.

The corporate Risk Management System remains crucial for capturing and managing key risks, and continuous development this year has included a new Service level risk Tier.

Work was completed this year with Chief Officers to understand and define the County Council's strategic risk appetite, and a total of 15 risk appetite statements were adopted by Chief Officers as a framework to inform and contribute to recommendations and decision-making.

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Action: 7.2 Further consolidate business continuity approaches and enhance corporate resilience knowledge and capability.

Action Owner: Steph Randall

Update: In October 2024, the council consolidated its core risk and resilience service areas to strengthen assurance, compliance, and enforcement of risk policies and controls, led by a new Head of Organisational Resilience. This new function oversees Corporate Risk Management, Corporate Health and Safety, Emergency Planning and Resilience, and Information Governance.

A review has been undertaken of the Emergency Planning and Resilience operating model, which has enabled greater capacity to be redirected into the County Council from April 2025, enabling us to grow and strengthen the support into directorates with Business Continuity planning and related activities. A new Business Continuity policy has been agreed, and an assurance cycle of work developed that will underpin implementation and ongoing delivery of the new policy.

Date: 31/03/2025

Action: 7.3 Complete a strategic review of Connect2Hampshire (C2H) to inform decision about extension.

Action Owner: Steph Randall

Update: The review of the C2H joint venture partnership, confirmed that the operational model continues to meet its intended purpose. The review provided an independent perspective on assurance and concluded that the current operating arrangements are effective and should remain unchanged. There were no indicators suggesting the need for early termination of the existing arrangements and the positive outcomes of the review findings contributed to the agreement by CMT to continue the agreement for its remaining four-year period.

Date: 31/03/2025

Action: 7.4 Revised Audit Committees Terms of Reference will be adopted by the County Council, and these will provide for the appointment of two independent co-opted members to join the Committee

Action Owner: David Kelly / Neil Pitman

Update: The Audit Committee and Cabinet have approved new Terms of Reference for the Audit Committee which are due to be approved by the Full Council in May 2025. The new Terms of Reference provide for the appointment of two Co-opted Independent Members to add expertise and objectivity to the Committee and for the Chairman to report to the Full Council annually. A specific allowance has been agreed for the new Independent Co-opted Members and a recruitment exercise will be undertaken once the Terms of Reference have been approved in May 2025

Date: 01/04/2025

Action: 7.5 Initiate a ‘skills needs assessment’ to inform a future training and development plan for the Audit Committee aligning with the 2022 ‘CIPFA Audit Committees practical guidance for local authorities and police’

Action Owner: Steph Randall

Update: A skills self-assessment for the Audit Committee has been designed in collaboration with the Chairman and Vice-Chairman, with plans to circulate following the AGM in May 2025. The assessment outcome will inform a structured, ongoing training programme for the committee that aligns with core CIPFA requirement areas such as governance, risk management, and financial reporting. In advance of this being completed, additional briefings were provided in Autumn 2024 on reviewing and approval of HCC financial statements, and monitoring of external and internal audit reports/opinions.

Date: 31/03/2025

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Annual Governance Statement

Action: 7.6 Strengthen our approach and resilience to effectively manage County Elections.

Action Owner: Steph Randall

Update: In preparation for the next County Elections, work has been undertaken to review, redesign and document the full end-to-end processes and tools required for managing County Elections, underpinned by a detailed project plan. Close working relationships have been built with borough and districts to ensure that they are clear on the detail of the approach being taken, their responsibilities, and the key milestones they needed to work toward. This work was overseen by a Corporate Management Team + Elections Board, chaired by the Chief Executive (County Returning Officer). The approach has enabled us to strengthen the governance and management of our approach to managing a County Election. As the 2025 County Elections have been postponed until 2026, the further work that would have been undertaken to manage this new approach through to the conclusion of the election has been paused, although the work undertaken will underpin the approach to any by-elections. This work will be picked up again as necessary, at an appropriate point in the future.

Date: 31/03/2025

Action: 7.7 Improve payments to providers and Foster Carers in CSD following the go live of a new system - Mosaic

Action Owner: Sarah Snowdon

Update: A mosaic recovery programme was established in July 2024, following a period of tactical stabilisation post go-live.

The strategic oversight of the programme comes from the Executive Steering Group which includes the Director of Corporate Operations (S151 Officer) and the Director of Children's Services.

The programme comprised two strands, with the following objectives:

Mosaic stabilisation: To determine fit for purpose operating model, systems, processes and workflows, including robust and accurate reporting; To fully understand the impact that data quality issues have on reporting and system usage and design and implement a data cleansing strategy and fit for purpose Mosaic reports.

Mosaic recovery and reconciliation: Stand up the right resource with the right skills to clear the backlog of unpaid invoices and reconcile the system where emergency payments have been made.

The programme is now successfully concluding and transitioning to BAU oversight for remaining continuous improvement developments.

Date: 31/03/2025

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Annual Governance Statement

Action: 7.8 Complete the Legal Minimum Service Level review work to inform the MTFS and ongoing financial sustainability

Action Owner: Rob Carr/ Andy Lowe

Update: A Legal Minimum Service Level exercise has been carried out. This involved consideration of savings that could be made if the County Council returned to its core purpose and delivered services at the legal minimum level. This detailed work was reviewed by an independent panel of experts. Some further savings opportunities were identified, which are being explored. However, the overall outcome of this exercise was that the County Council is not able to find sufficient recurring savings to bridge the budget

Date: 10/04/2025

N.B the report on actions taken in respect of Mosaic has been included notwithstanding the fact that it was not an identified action in the 2023-24 Action Plan.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this Statement.

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

Signed:	Signed:
C. Williamson	N. Adams-King
Chief Executive	Leader of the Council
Date: 3 July 2025	Date: 3 July 2025

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Hampshire County Council

Glossary

Glossary

Academies

Publicly funded independent schools, free from local authority control. Freedoms held by academies include the ability to set their own pay and conditions for staff, freedoms around the delivery of the curriculum, and the ability to change the lengths of terms and school days. The income, expenditure and assets of academies within Hampshire do not form part of the Council's accounts.

Accruals basis

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

Actuary

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

Admitted bodies

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

Alternative investments

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

Amortisation

The process of writing down the cost of an asset or liability through depreciation or repayment of principle over a suitable period of time.

Assets held for sale

Assets that the Council intends to sell within the next year and are actively marketed as such.

Additional voluntary contributions (AVCs)

Additional voluntary contributions are paid by a contributor who decides to supplement his or her pension by paying extra contributions to the Scheme's AVC provider (Prudential).

Budget requirement

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

Capital adjustment account

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

Capital expenditure

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

Capital receipt

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

Glossary

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

Community asset

An asset that the Council intends to hold forever, that has no determinable useful life, and that may have restrictions on its disposal. An example of a community asset is parkland.

Comprehensive Income and Expenditure Statement (CIES)

Statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Contingent asset

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

Contingent liability

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

Council tax

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

Creditor

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

Current asset

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

Current liability

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

Current service costs

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

Custodian

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

Debtor

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

Dedicated Schools Grant (DSG)

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

Glossary

Deferred liability

An amount owed by the Council that will be repaid over a significant period of time. For example, the Council holds a deferred liability to pay for assets constructed as part of the waste and street lighting PFI contracts, which will reduce over the life of the assets.

Defined benefit pension scheme

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

Deposit

Receipt held that is repayable in prescribed circumstances.

Depreciated historical cost

The valuation of fixed assets at their original cost less depreciation charged to date.

Depreciated replacement cost

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

Depreciation

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

Developers' contribution

Developers may be required to provide contributions for building infrastructure. These may result from the Community Infrastructure Levy, section 106 and section 278 planning obligations, or planning conditions.

Discretionary increase in pension payments

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

Dividends

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

Earmarked reserve

See Reserve.

Equities

Shares in UK and overseas companies.

Exceptional item

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

Expected credit loss

An estimate of the losses an authority expects it will incur from financial instruments.

Glossary

Expected loss allowance

The Council is unlikely to recover some debts because something has happened since the debt was raised. An assessment of the reduction in recoverable debt is made both individually (for individually significant debts) and collectively.

Fair value

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

Finance lease

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

Financial instruments

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

Fixed asset

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

Foundation schools

A category of school that receives its funding from the County Council, but are run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation

General Fund

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

Gross book value (GBV)

The original or revalued cost of an asset before the deduction of depreciation.

Gross expenditure

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

Hedge fund

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

Heritage assets

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are maintained principally for their contribution to knowledge and culture. The principal heritage assets owned by the Authority are its museum collections, archives collection and a small number of historic buildings and archaeological sites.

Historical cost

The amount originally paid for a fixed asset.

Glossary

Impairment loss

A loss arising from an event that significantly reduces an asset's value, such as physical damage or a fall in market value.

Infrastructure assets

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

Intangible assets

Assets that do not have physical substance but are identifiable and controlled by the Council and bring benefits to the Council for more than one year, such as computer software.

Internal trading account

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

International Financial Reporting Standards (IFRS)

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

Inventories

Goods that are acquired in advance of their use in the provision of services or their resale. At the year-end inventories are a current asset in the balance sheet and they will be charged to the CIES in the year they are consumed or sold.

Investment property

Property (land or buildings) that are held (by the owner or by the lessee under a finance lease) to earn rental income or for capital appreciation or both.

Lessee

The party that leases an asset that is owned by another party.

Lessor

The owner of an asset which is leased to another party.

Local Government Pension Scheme (LGPS)

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

Long-term asset

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

Long-term borrowing

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

Long-term debtor

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

Glossary

Minimum revenue provision (MRP)

The minimum amount (as specified in statute) which must be charged to the CIES each year and set aside as a provision for repaying external loans and meeting other credit liabilities.

Net assets

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

Net assets statement

A statement showing the net assets of the Pension Fund.

Net book value (NBV)

The value of an asset as recorded in the accounts. This usually equates to the net current replacement or original cost less any depreciation charged against the asset over its life to date.

Net current liabilities

The amount by which current liabilities exceed current assets.

Net worth

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

Non-ringfenced government grants

Amounts received from central Government towards funding the Council's activities that are not required to be spent on a particular service.

Operating lease

Under this type of lease, the risks and rewards of ownership of the leased goods remain with the lessor.

Operational asset

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

Past service cost

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

Payment in advance

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

Pooled budget

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

Precept

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

Glossary

Private equity

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

Private finance initiative (PFI)

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

Projected unit method

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

Provisions

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

PWLB

PWLB loans (named after the former Public Works Loan Board) are provided by the Government to local authorities on request to help fund capital projects.

Receipt in advance

A receipt that is attributable to a future financial year.

Related party

An organisation, body or individual that has the potential to control or significantly influence the Council, or to be controlled or influenced by the Council.

Reserve

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

Revaluation reserve

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

Revenue contributions to capital

The use of revenue funds to finance capital expenditure.

Revenue expenditure

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

Revenue expenditure funded from capital under statute (REFCUS)

Expenditure that is classified as capital expenditure under statutory provisions, but does not result in the creation or enhancement of fixed assets owned by the County Council. Such expenditure incurred during the year is treated as revenue expenditure and charged to the relevant service in the CIES.

Glossary

Scheduled bodies

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

Service concession

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

Short-term investments

An investment that is readily realisable within one year.

Specific grants

Central Government grants to finance a particular service.

Straight-line basis

Dividing a sum equally between several years.

Surplus assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. These are assets that do not meet the criteria to be classified as either investment property or assets held for sale.

Transfer value

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

Transferred debt

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

Trust fund

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

Useful life

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

Voluntary aided schools (VA schools)

Mainly religious or 'faith' schools, although anyone can apply for a place. As with foundation schools, the governing body employs the staff and sets the admissions criteria.

Voluntary controlled schools (VC schools)

Similar to voluntary aided schools, but are run by the local authority. As with community schools, the local authority employs the school's staff and sets the admissions criteria.

Write-off

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

Independent Auditors Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMPSHIRE COUNTY COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Hampshire County Council and its subsidiaries (the 'Group') for the year ended 31 March 2025. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- the related notes 1 to 31 including material accounting policy information

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

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

Basis for disclaimer of opinion

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

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimers of opinion on the financial statements in the prior years and the scope of our audit work, which was impacted by the backstop dates, we do not have sufficient appropriate audit evidence over: the valuation of property, plant and equipment that was revalued in the financial year 2022/23, amounting to £689,258,000; capital grants receipts in advance amounting to £49,365,000; developers' contributions amounting to £155,505,000; and the consequential impact of these on the Comprehensive Income and Expenditure Statement; and the total of reserves and their classification except for the pensions reserve, amounting to £4,441,832,000.

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

The audit of the financial statements for the year ended 31 March 2023 for Hampshire County Council was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 06 December 2024.

Independent Auditors Report

Matters on which we report by exception

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

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on pages 35-36, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditors Report

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Independent Auditors Report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance certificate in respect of the Whole of Government Accounts consolidation pack and the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Hampshire County Council.

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

Use of our report

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

Andrew Brittain (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

12 February 2026

Independent Auditors Report – Pension Fund

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2025 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 22 including material accounting policy information.

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

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2025 and the amount and disposition at that date of its assets and liabilities as at 31 March 2025, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors Report – Pension Fund

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report and Statement of Accounts 2024/25, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts 2024/25.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors Report – Pension Fund

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on pages 35-36 the Chief Financial Officer is responsible for the preparation of the Councils's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors Report – Pension Fund

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Chief Financial Officer.

Independent Auditors Report – Pension Fund

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquries of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation ot the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditors Report – Pension Fund

Use of our report

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

Ben Lazarus (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

12 February 2026