



Royal Victoria Country Park

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- Our finance team can be contacted at: budget@hants.gov.uk

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Unaudited Statement of Accounts 2025/26

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New Forest in Spring

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 2025/26;
- 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 2026 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 2025/26
- Corporate Risks
- Looking beyond 2026
- Summary Position
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This is followed by an explanation of the Financial Statements, including information on changes during 2025/26.

Narrative Report

Statement from the Leader of Hampshire County Council

I am pleased to present to you the 2025/26 Statement of Accounts for Hampshire County Council.

Our financial position continues to be incredibly challenging. The funding we receive and can generate has not kept pace with the cost of providing statutory services over an extended period of time. We have seen a combination of increasing demand at the same time as our costs have been increasing due to inflation. We have made savings where possible, with over £734m of recurring savings since 2008, but this has still left us with a structural budget gap that we have only been able to close through planned draws from reserves.

Against this backdrop, I am pleased to note that the County Council's strong financial management helped us to reduce the draw required to balance the budget to £21m, from £65m originally planned when the budget was set. This has had a positive impact on our overall reserves position. However, reserves can only be spent once and using reserves to balance the budget is not a sustainable solution.

As we look ahead to 2026/27 and beyond, the lack of a sustainable solution continues to be a significant concern for us as a County Council and for the financial sustainability of the new authorities after Local Government Reorganisation (LGR). Whilst our financial position is challenging, we continue to work hard to deliver the best outcomes we can for local people. This extends to our work on LGR and Devolution, two significant changes that are being taken forward in our area.



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 County Council, 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 2026.

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 the draw needed to balance the budget was reduced to £21m, rather than the £65m draw that had been planned when the budget was set. This is a significant achievement and reflective of the work across the County Council to contain and reduce costs wherever possible.

A balanced budget was set for 2026/27 in February 2026, however this was only possible by including a planned draw from reserves of £102m. Since the budget was set, a number of changes and emerging pressures have been identified which will impact the financial position.

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. My Section 25 report in February concluded that I was satisfied that the level of reserves was adequate (with risk) for the 2026/27 financial year but that reserves were not expected to be adequate for the 2027/28 financial year. It is therefore the case that without additional government funding or support there are very limited other options to avoid issuing a Section 114 notice in advance of the 2027/28 financial year. 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 report (prepared in accordance with the regulations)

The County Council has published its accountability statements for previous financial years in accordance with the updated regulations. The accountability statements can be found on the County Council's website.

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 for 2022/23 to allow publication of the accountability statements by the backstop date. This opinion was purely due to the impact of the national audit backlog and the measures put in place to address the backlog. The opinion was not the result of any issues identified with the County Council's accounts.

The disclaimed audit opinion for 2022/23 has impacted the audit opinion issued by the auditor for 2023/24 and 2024/25. Although the auditor carried out audits for these two years, the disclaimed opinion for 2022/23 impacted the auditor's ability to obtain sufficient evidence and assurance to issue an unqualified opinion for 2023/24 or 2024/25. The County Council therefore received a disclaimed opinion for both these years, however again this was due to the impact of the audit backlog and not any issues identified with the County Council's accounts.

The auditor has reported regularly to the County Council's Audit Committee on progress with rebuilding assurance and confirmed that the County Council is on track to return to unqualified audit opinions in line with national expectations.

The accounts of the Pension Fund are unaffected by these issues because it was decided to prioritise the limited available audit capacity in 2022/23 on the Pension Fund audit, so a full audit of those accounts could be completed by the legal deadline.

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 provides '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 other services to residents and businesses.

The structure of local government in Hampshire will change in April 2028 when the county and district councils as well as Portsmouth and Southampton city councils will be replaced by four new unitary councils. More information about this is provided in the Looking Beyond 2026 section towards the end of this Narrative Report.

As well as the unitary reorganisation, devolution is also taking place, with an elected mayor due to be in place for the Mayoral Combined County Authority (MCCA) from May 2028. This covers the whole of Hampshire and some neighbouring authorities. It will provide greater local control over items key to the area's prosperity, including aspects of transport, skills, housing and planning.

The county 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 than 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.

Financial Pressures

Along with many other councils across the country, the Council is under high financial pressure due to constrained funding not matching the cost of providing statutory services. This is due to high demand and inflation affecting services the Council is legally required to provide, including adult and children's social care, school transport and services for children with special educational needs and disabilities (SEND). Consequently, the Council has only been able to balance its budget for 2026/27 through a planned draw from the Budget Bridging reserve of £101.9m. This can only be a short term solution as reserves can only be spent once.

The Council has made savings where possible, with over £734m of recurring revenue savings made since 2008. However, it is in a particularly difficult position because it receives a low level of Government grant per person, as the funding formula targets funding towards deprived areas. This is being worsened through the introduction of a new funding formula, which once fully introduced over the next three years will cut the Council's grant by £43m. The Council also has a relatively low Band D council tax rate compared to many other county councils.

The Council has been publicly highlighting these issues for several years and has been in discussions with the MHCLG, including requests for Council Tax Flexibility (the ability to increase Council Tax above the referendum limit) for the 2025/26 and 2026/27 budget setting years. However, neither of these requests were granted by the MHCLG so a solution remains to be found. It is important to note that whilst the planned unitary reorganisation may deliver some savings it will not be sufficient to balance the financial deficit.

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. The most recent County Council elections were held in May 2026.

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. Following the elections in May 2026 the current political composition is as follows:

Party	Councillors
Conservatives	27
Liberal Democrats	26
Reform UK	20
Green Party	1
Labour	1
Independent	1
Whitehill & Bordon Community Party	1
Community Campaign (Hart)	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 (June 2026) consists of:

- Chief Executive – Gary Westbrook
- Deputy Chief Executive and Director of People and Organisation – Jac Broughton
- Director of Adults' Health and Care – Jess Hutchinson
- Director of Children's Services – Steph How
- Director of Corporate Operations – Andy Lowe (Chief Financial Officer)
- 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 2025/26.

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 2025 – 2028’](#) 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 will be delivered by various more detailed directorate plans, including the Local Transport Plan, Public Health Strategy, Local Nature Recovery Strategy and Adult’s Health and Care Strategy. The Strategic Plan covers the period of 2025-2028.

Hampshire County Council is one of the country’s leading local authorities, with many services rated as ‘excellent’ and the Council’s ambition is to continue to transform and shape services for the future, in line with the Council’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 residents and improve the quality of life in Hampshire.

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

- **Keeping you healthy, well and independent** – The first commitment is about supporting people to remain healthy and look after their wellbeing, including enabling people to live independently in their own homes for longer and helping young people to reach their potential.
- **Giving your communities the best chance to thrive** – The second commitment relates to supporting Hampshire’s prosperity, including through the provision of infrastructure, maximising the opportunities of devolution and local government reorganisation and looking after the environment.
- **Keeping you, your families, and friends safe** – The third commitment includes protecting children and adults from harm and abuse, supporting the vulnerable, collaborating with other public services and building climate resilience.
- **Providing innovative services, you need and value** – As well as delivering high quality essential services and providing information about how they are performing this commitment also involves making continuous improvements to them, such as improving digital services and making financial efficiencies.

Our Non-Financial Performance



Hampshire
County Council

Narrative report

The County Council's Non-Financial Performance

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

- Results of external inspections (e.g. Ofsted)
- Performance against the Government's new Local Outcomes Framework
- Performance against other indicators monitored by the Council.
- Delivery against the four commitments in the Strategic Plan 2025-2028

At the time the draft accounts were published (in June 2026), the report to the Cabinet had not yet been published, as this is scheduled for July 2026. However, the following information is a summary of the topics listed above which are planned to be covered in the performance report.

The Council also 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.

Results of external inspections

Adults' Health and Care inspections - all by the Care Quality Commission (CQC)

- **Inspections of council owned care homes** – 15 good, 1 requires improvement (as of April 2026)
- **Inspections of non-council owned care homes** – 17 outstanding, 291 good, 63 requires improvement, 1 inadequate, 28 not rated (as of April 2026)
- At the time of writing, the results of a CQC assessment of the Council's performance against statutory duties under the Care Act 2014 was expected shortly.

Children's Services inspections (all by Ofsted)

- **Children's Services** – Outstanding (June 2024)
- **Children's homes** – 1 outstanding, 5 good, 2 requires improvement (inspections during 2024/25)
- **Care leavers** – The inspection acknowledged the positive impact of extensive work done since 2024 to strengthen the offer for care leavers (March 2026)

Narrative Report

Local Outcomes Framework

The Local Outcomes Framework is being introduced by the Government this year and will measure the performance of councils against 16 national priorities. The Government is expected to publish the first data in summer 2026, so it was not available at the time of preparing the accounts. However, based on what the Government has outlined it plans to use, the following key trends are amongst those likely to be shown for Hampshire County Council by the Framework.

- Year on year improvement for most age bands of care leavers in suitable accommodation and in education, employment or training.
- Continuing strong performance (against national average) for the percentage of roads that should be considered for maintenance.
- The Council continues to perform in line with about the national average for many measures, including school absence levels.
- Performance is below the national average for only a small number of measures, including recycling rates (the council is currently investing in new facilities to enable more to be recycled).

Performance against other indicators

The Council continues to monitor performance against some other indicators not in the Government's framework but important to the Council. These relate to household waste, public satisfaction with highways and school absence data, with the data currently showing:

The latest statistics for residual waste per household (466.1kg), percentage going to landfill (3.7%) and percentage of waste recycled at HWRCs (51.1%) remain about the same as in previous years.

The latest data on public satisfaction with highways maintenance (43%) and the condition of highways (23%) shows it has improved slightly. The percentages are in line with other councils.

School absence rates continue to decrease and are better than the national average in most categories. In 2024/25 (latest year data available for at time of writing), the overall absence rate at Hampshire schools was 6.6%, compared to 7.0% in the previous year.

Delivery against the Strategic Plan – The report to Cabinet will contain a selection of performance highlights against each of the four commitments in the 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 2025/26 the split of gross expenditure across the key service areas was as follows:

	2024/25*	2025/26
	%	%
Adults', Health and Care	25.5	25.4
Schools	42.4	44.9
Children's Services	17.2	15.9
Universal Services	8.0	7.8
Corporate Services	7.0	6.0
Total	100	100

** Restated to aid comparison between years, due to directorate changes and changes relating to the presentation former Trading Unit expenditure in the 2025/26 Accounts.*

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.

	2024/25	2025/26
	%	%
Employee Costs	41.5	40.6
Premises	3.6	3.3
Transport	2.6	2.6
Supplies and Services	8.6	6.8
Third Party Payments	37.9	40.2
Transfer Payments	1.8	2.0
Support Services	4.0	4.4
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:

	2024/25*	2025/26
	%	%
Council tax	27.9	27.4
Business rates	1.8	2.0
General Government grants	6.7	7.0
Fees, charges and interest	17.6	17.2
Dedicated Schools Grant	35.0	36.6
Specific Government grants	10.9	9.8
Total	100	100

** Restated to aid comparison between years, due to changes in the presentation Trading Unit income in the 2025/26 Accounts.*

Narrative Report

The budget for 2025/26 was approved by the County Council on 13 February 2025 and the council tax requirement (which is the net budget met by council tax) for 2025/26 was set at £876m

More information about the budget originally set for 2025/26 is included in the [Revenue Budget and Precept 2025/26 and Capital Programme 2025/26 - 2027/28 Report](#).

During the 2025/26 financial year, regular update reports were presented alongside a Medium Term Financial Position Update in November 2025, setting out the forecast medium term financial position.

Outturn 2025/26 – Excluding school budgets

The headline outturn position against the approved budget is an underspend of £44.2m. However, as the budget was only balanced by a draw from the Budget Bridging Reserve (BBR,) this is not an underspend against in year funding. Instead, it means that the amount used from the BBR for 2025/26 is £44.2m less than planned at £20.7m.

In line with previous years, any early achievement of SP25 savings (i.e. savings achieved ahead of the date that budgets have been reduced) were added to the BBR. During 2025/26 £3.0m of early achievement of savings were transferred to the BBR.

	£m
Directorate position including early SP25 savings	(35.12)
Other central items	(0.96)
Capital Financing	(11.02)
Contingency	<u>(11.12)</u>
Net position prior to corporate adjustments	(58.22)
Expected Credit Loss allowance adjustments	7.48
Increase to Insurance Reserve	2.02
Transfer to General Fund	<u>4.50</u>
Net underspend	(44.22)
One-off draw from BBR agreed February 2025	<u>64.90</u>
Actual one-off draw from BBR to balance the budget	<u>20.68</u>

Narrative report

The directorate position is summarised in the table below.

Directorate	Budget £'000	Actual £'000	Variance £'000	%
Adults' Health and Care*	585,947	592,703	6,756	1.2%
Children's Services - non-schools	463,994	427,751	(36,243)	(7.8%)
Corporate Operations	57,043	55,399	(1,644)	(2.9%)
People and Organisation	48,932	49,936	1,004	2.1%
Universal Services	145,367	143,381	(1,986)	(1.4%)
Total	1,301,283	1,269,170	(32,113)	(2.5%)
* excluding Public Health				

Outturn 2025/26 – Schools budget

A total net in year pressure of £132.6m has been reported against the schools' budget, of which £140.4m 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 £345.8m.

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.

Significant change is expected with the recent white paper "Every child achieving and thriving" and accompanying documents setting out the governments visions for school and SEND reform. In the short term, pressure is likely to grow in response to upcoming change however long term, the government is expecting a changed system that better meets need and is more financially sustainable.

Narrative report

To support this reform, some additional funding has been announced including grant funding to meet up to 90% of local authority accumulated deficits at 31 March 2026. Grant allocations will be paid by the DfE from the autumn with exact payment timings dependent on local authorities meeting local SEND reform plans conditions, though subject to meeting conditions, all payments will be made in the 2026/27 financial year.

Further financial support has been indicated by the Government to contribute to further deficits accumulated up to 31 March 2028. However, no further details have been provided yet.

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. A statutory override allowing the use of the DSG deficit unusable reserve ends on 31 March 2028 and the additional one-off funding promised by the Government is unlikely to fully equate to the level of deficit forecast.

The statutory override and promise of additional one-off funding do not change the fact that the County Council will have paid out significantly more than has been received in funding, impacting available cash and investment balances. In the short term, this has a significant impact on the amount of income that can be generated from investing balances and also means that existing 'internal borrowing' will need to be externalised sooner than planned, resulting in additional interest costs.

Narrative Report

Capital programme

The three year Capital Programme for 2025/26 to 2027/28 was approved by the County Council alongside the revenue budget and precept on 13 February 2025. More information about the budget originally set for 2025/26 is included in the [Revenue Budget and Precept 2025/26 and Capital Programme 2025/26 - 2027/28 Report](#).

	2025/26 £'000
Adults' Health and Care	211
Children's Services	73,266
Corporate Services	28,135
Universal Services	132,830
Total Capital Expenditure	234,442
Funded by:	
External Sources:	
Capital Grants	160,470
Other Contributions *	32,200
Local resources:	
Prudential Borrowing (net)	29,233
Other Local Resources	12,539
Total Capital Financing	234,442

* 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 2025/26 the County Council spent £234m on capital projects. Which included

- £57m for the structural maintenance and improvement of roads and bridges
- £68m of Integrated Transport Plan schemes including major road schemes and active travel schemes, including £32m on the M27 J10 scheme.
- £57m of investment in new and extended school buildings to provide school places in Hampshire
- £26m to address condition-based enhancements to the school estate

Further information is included in the End of Year Financial Report 2025/26, to be considered by the County Council's Cabinet during Summer 2026.

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 is delegated to the 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, is updated and approved by full Council each year at its February meeting.

At 31 March 2026, the County Council held treasury management loans of £153m (31 March 2025: £162m) 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. Over the course of 2025/26 the County Council's investment balances reduced from £410.8m to £305.7m. This was due to the Council's declining financial position as funds were needed for other purposes. 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 2025/26, to be considered by the County Council's Cabinet in Summer 2026.

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 more sustainable funding 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 issues resulting from the growing gap between demand for services and available funding crystallise.

The County Council's approach to reserves and the delivery of transformation and savings has been recognised by the Government as a sensible, prudent approach as part of the wider MTFS. However, the Council has reached a financial tipping point where it is now unable to balance the 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 2025/26

The County Council used £20.7m from the Budget Bridging Reserve (BBR) to balance the budget for 2025/26. This was part of a net reduction in useable reserves of £8.1m.

The reduction in useable reserves was lower than the amount used from the BBR, as the Council continued to review other reserves during 2025/26 to release earmarks and commitments where possible to support the Budget Bridging Reserve (BBR) and other expenditure of the highest priority. Amongst the largest of these was a transfer of £28.4m from the Capital Payments Reserve to the BBR following a review of capital commitments. This does of course mean that these released resources will not be available as a source of funding for future capital schemes.

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 £345.8m at 31 March 2026.

Hampshire Pension Fund

The Hampshire Pension Fund is part of the Local Government Pension Scheme and is administered by Hampshire County Council. 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 2025. At the 2025 actuarial valuation, the Fund was assessed as 129% funded (107% at the previous March 2022 valuation). This corresponded to a surplus of £2,325m (2022 surplus valuation: £637m) 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 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 2025-2028, which was approved by the Cabinet on 11 November 2025, with yearly updates provided to the Audit Committee.

The Corporate Risk Management Steering Group (RMSG) 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 business continuity. Risks are also carefully managed within directorates and services. The Council's insurance strategy and governance is now included within the terms of reference of the RMSG.

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.

Strategic and operational risks are identified, documented, owned, managed, and regularly reviewed by named risk owners (including new and emerging risks), and recorded in the Corporate Risk Management System.

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 discussed further elsewhere in this narrative report.

Further assurance on our services is provided by Internal Audit and our External Auditors.

The most recent Corporate Risk Management Annual Report can be found [here](#).

Looking Beyond 2026



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 2025. This provided an update on the financial forecasts for the following two financial years. Further information was then included in the February 2026 budget setting report following the local government finance settlement.

The County Council applied for Council Tax Flexibility to allow for an above referendum limit council tax increase. This request was not granted, meaning the County Council could only increase council tax by 4.99% without triggering a referendum. The County Council was only able to balance the budget for 2026/27 through a draw from the Budget Bridging Reserve (BBR) of £101.9m, and the Director of Corporate Operations' section 25 statement stated that:

“As an Authority 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”

“The only thing that is avoiding a S114 notice for the 2026/27 financial year is the level of reserves that the County Council has managed to transfer to the Budget Bridging Reserve.... However, the significant draw required from the BBR does not represent anything like a sustainable financial position.”

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 Council has now had to draw on its Budget Bridging Reserve in every financial year since 2022/23, which is clearly not a sustainable position as reserves can only be spent once. As already noted, a further draw of £101.9m from the Budget Bridging Reserve has been required to balance the 2026/27 budget. This also excludes the Dedicated Schools Grant (DSG) deficit, the cumulative total for which stood at of £345.8m at 31 March 2026 and is currently held against an unusable reserve due to a statutory override. The Government's planned reforms to the Special Educational Needs and Disabilities (SEND) system are expected to fund some of this accumulated DSG deficit but not all of it.

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.

Narrative Report

An updated **Capital Programme** was approved as part of budget setting for 2026/27. It plans to provide the following from 2026/27 onwards:

- £178m for structural maintenance of roads and bridges
- £216m for Integrated Transport Plan schemes
- £187m for new and extended school buildings
- £49m to support High Needs provision
- £71m for children's social care, including a new secure children's home
- £124m for condition-based improvements to school buildings
- £47m for waste and recycling infrastructure to improve recycling services

The Treasury Management Strategy over the period will continue to build on existing policies and practices, in particular protecting investment capital. The 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.

At the end of 2025/26 the Council had total reserves of £782m, although much of this is capital, unusable or earmarked revenue. Furthermore, the County Council also has a large Dedicated Schools Grant (DSG) deficit, which stood at £345.8m as at 31 March 2026. The High Needs Stability Grant is expected to cover a large proportion of the accumulated amount but the position for future years is unclear.

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.

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.

Narrative Report

Local Government Reorganisation and Devolution

Many shire areas currently have a two-tier council system, with upper tier services provided by the county council and lower tier services provided by the district council. The Government plans to replace all of these in England over the next few years with unitary councils, including altering the boundaries of some neighbouring unitary councils.

Following the submission of proposals by councils, the Government announced on 25 March 2026 that it plans to replace Hampshire County Council, all the district councils in Hampshire and two existing unitary councils (Portsmouth City Council and Southampton City Council) with four new unitary councils. Isle of Wight Council is unaffected by the changes. The new councils will be:

- North Hampshire Council (current local government areas of Basingstoke and Deane, Hart and Rushmoor)
- Mid Hampshire Council (current local government areas of East Hampshire, New Forest, Test Valley and Winchester, less 11 parishes from all 4 areas)
- South East Hampshire Council (current local government areas from East Hampshire, Fareham, Gosport, Havant, Portsmouth, 3 parishes from East Hampshire and 1 parish from Winchester)
- South West Hampshire Council (current local government areas of Eastleigh, 4 parishes from New Forest, Southampton and 3 parishes from Test Valley)

The reorganisation is expected to take effect in April 2028. It will break up the County Council and several district councils, so will require substantial implantation work. From a financial perspective this includes setting up financial systems and establishing how to split funding such as grants between the new councils.

Separately to reorganisation, as part of devolution, the Hampshire and the Solent Combined County Authority was established in 2026. It covers the Hampshire, Portsmouth, Southampton and Isle of Wight areas and will have an elected mayor from May 2028. It will have powers over strategic areas including transport, economic development, skills and housing.

Introduction to the Accounting Statements



Hampshire
County Council

Narrative Report

Changes to the Accounts

The 2025/26 Code of Practice on Local Authority Accounting includes some new requirements, which have been followed in the County Council's accounts. However, none of them have had a material impact on the accounts. This is because new requirements for the valuation of property, plant and equipment (IAS 16) are in line with the approach we were already following. The other new requirements for intangible assets (IAS 38), foreign currency exchange rates (IAS 21) and insurance contracts (IFRS 17) have had no impact due to having no material amounts of the items affected by them.

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.

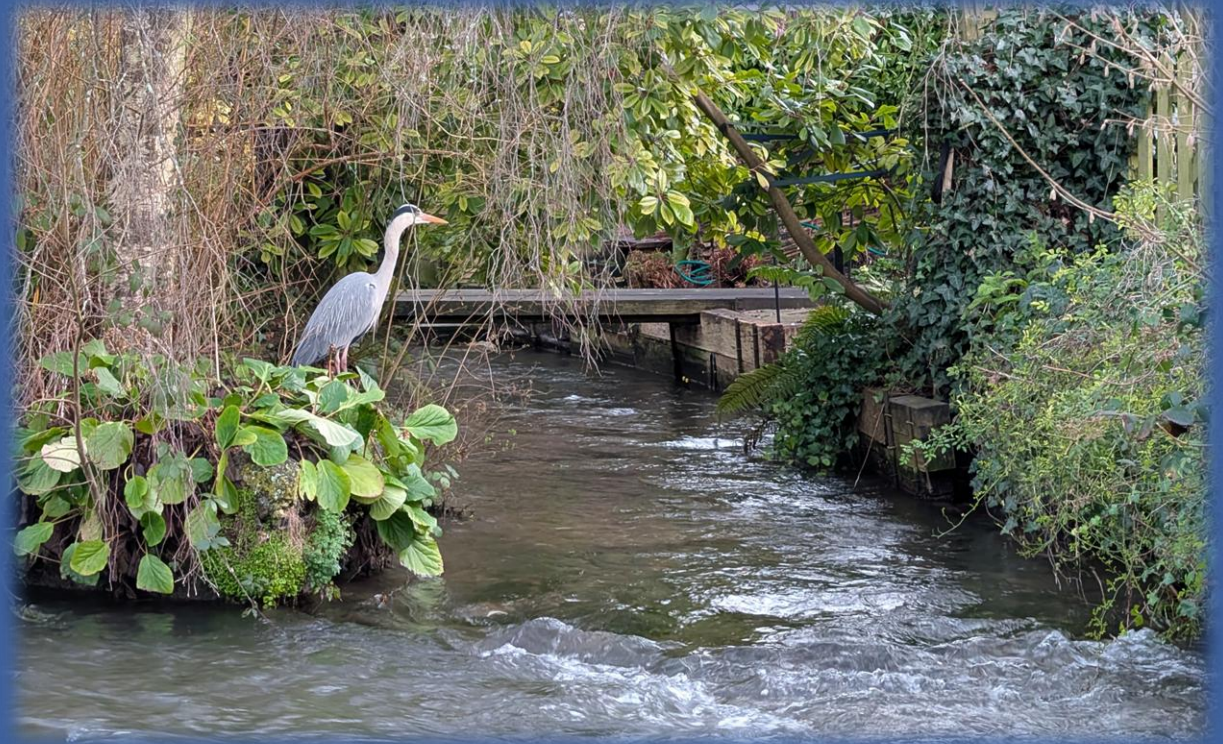
The Cash Flow statement reconciles to the balance on the Comprehensive Income and Expenditure account for the year and the movement in Balance Sheet liquid assets and liabilities.

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 Director of Corporate Operations (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 2026 and the income and expenditure for the year ended 31 March 2026.

Andy Lowe

23 June 2026

Chief Financial Officer and Section 151 Officer

4. The Chairman's Statement

To be completed once the accounts have been presented to a meeting of the Audit Committee



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

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 Receipts Reserve £000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Note
Balance at 31 March 2024	(606,011)	0	(227,329)	(833,340)	(4,112,955)	(4,946,295)	
(Surplus)/Deficit on the provision of services	482,934	0	0	482,934	(50,582)	432,352	CIES
Adjustments between accounting basis & funding basis	(424,614)	0	18,887	(405,727)	405,727	0	2
Net transfers of reserves to other local authorities	(353)	0	(4,931)	(5,284)	0	(5,284)	
(Increase) / decrease in Year	57,967	0	13,956	71,923	355,145	427,068	
Balance at 31 March 2025	(548,044)	0	(213,373)	(761,417)	(3,757,810)	(4,519,227)	
* includes earmarked reserves	(note 4)				(note 3)		
	General Fund Balance* £'000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Note
Balance at 31 March 2025	(548,044)	0	(213,373)	(761,417)	(3,757,810)	(4,519,227)	
(Surplus)/Deficit on the provision of services	183,944	0	0	183,944	(103,245)	80,699	CIES
Adjustments between accounting basis & funding basis	(189,863)	(6,706)	(6,825)	(203,394)	203,394	0	2
Net transfers of reserves to other local authorities	(123)	0	(822)	(945)	0	(945)	
(Increase) / decrease in Year	(6,042)	(6,706)	(7,647)	(20,395)	100,149	79,754	
Balance at 31 March 2026	(554,086)	(6,706)	(221,020)	(781,812)	(3,657,661)	(4,439,473)	
* 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".

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2026 and its income and expenditure of the year then ended.

Andy Lowe 23 June 2026

Chief Financial Officer and Section
151 Officer

Unaudited Statement of Accounts 2025/26

31 March 2025 £'000		31 March 2026 £'000	See note
4,536,236	Property, plant & equipment (PPE)	4,690,275	19
29,732	Investment property	30,889	20
151,066	Long-term investments	133,737	22
65,615	Long-term debtors	63,573	22c
77,395	Net asset related to defined benefit pension schemes	0	24f
4,860,044	Long-term assets	4,918,474	
4,625	Current assets held for sale	6,610	
139,603	Short-term investments	53,337	22
3,518	Inventories	2,892	
288,995	Short-term debtors	166,238	22d
18,471	Cash and cash equivalents	87,971	22a
455,212	Current assets	317,048	
(193,272)	Short-term Creditors	(167,447)	22h
(71,647)	Short-term borrowing	(75,254)	22e
(11,110)	Deferred liability repayable within one year	(12,544)	22i
(24,014)	Grants receipts in advance - revenue	(21,005)	6
(49,365)	Grants receipts in advance - capital	(57,188)	6
(349,408)	Current liabilities	(333,438)	
105,804	Net current assets/(liabilities)	(16,390)	
0	Net liability related to defined benefit pension schemes	(29,437)	24f
(24,350)	Provisions	(22,533)	23
(153,000)	Long-term borrowing	(143,000)	22e
(113,766)	Deferred liabilities	(111,637)	22i
(155,505)	Developers' contributions	(156,004)	22g
(446,621)	Long term liabilities	(462,611)	
4,519,227	Total net assets	4,439,473	
	Financed by:		
	Usable reserves		
(548,044)	General Fund and earmarked reserves	(554,086)	4
(213,373)	Capital reserves	(227,726)	4D
(761,417)	Usable reserves	(781,812)	
(3,757,810)	Unusable reserves	(3,657,661)	3
(4,519,227)	Total Reserves	(4,439,473)	

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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).

2024/25 £'000		2025/26 £'000	Note
482,934	Net (surplus) or deficit on the provision of services	183,944	
(530,911)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(324,413)	27a
168,455	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	173,182	27a
120,478	Net cash (inflow) or outflow from Operating Activities	32,713	
(82,992)	Investing Activities	(119,862)	27b
11,031	Financing Activities	17,649	27c
48,517	Net (increase) or decrease in cash and cash equivalents	(69,500)	
(66,988)	Cash and cash equivalents at the beginning of the reporting period	(18,471)	
(18,471)	Cash and cash equivalents at the end of the reporting	(87,971)	22a

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- Following the reorganisation of the Council's directorates during 2025/26, the split of expenditure and income across directorates for 2024/25 has been restated to reflect the distribution of the former Hampshire 2050 directorate into the other directorates.
- From 1 April 2025, former Trading Units were integrated into directorates and are now reported within income and expenditure as part of the net cost of services. Previously, they were reported as a net surplus or deficit within the Financing and investment line. 2024/25 has been restated on this basis to aid comparability between the two years.

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Manor Farm

1. Expenditure and Funding Analysis

2024/25 restated *				2025/26		
Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES		Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
635,793	(110,083)	525,710	Adults' Health and Care	661,474	(115,945)	545,529
1,257,912	(1,030,082)	227,830	Schools	1,398,897	(1,149,672)	249,225
423,567	(24,274)	399,293	Children's Services Non-Schools	427,219	(18,324)	408,895
138,330	66,474	204,804	Universal Services	143,381	53,863	197,244
110,583	10,141	120,724	Corporate Services	105,336	15,410	120,746
(1,367,301)	1,367,301	0	Specific Grants	(1,472,589)	1,472,589	0
6,546	242	6,788	Other items not allocated to services	6,129	3,180	9,309
1,205,430	279,719	1,485,149	Net cost of services	1,269,847	261,101	1,530,948
(1,147,110)	144,895	(1,002,215)	Other income and expenditure	(1,275,766)	(71,238)	(1,347,004)
58,320	424,614	482,934	(Surplus) or deficit on the provision of services	(5,919)	189,863	183,944
(606,011)	Opening General Fund (including earmarked reserves) balance at 1 April			(548,044)		
58,320	Plus (surplus)/deficit on provision of services			(5,919)		
(353)	Net transfers of reserves to other local authorities			(123)		
(548,044)	Closing General Fund (including earmarked reserves) balance at 31 March			(554,086)		

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.

- * The 2024/25 EFA has been restated to aid comparison between years. There were two significant changes between 2024/25 and 2025/26 which have been reflected in the restatement:
- Following the reorganisation of the Council's directorates during 2025/26, the split of expenditure and income across directorates for 2024/25 has been restated to reflect the distribution of the former Hampshire 2050 directorate into the other directorates.
- From 1 April 2025, former Trading Units were integrated into directorates and are now reported within income and expenditure as part of the net cost of services. Previously, they were reported as a net surplus or deficit within the Financing and investment line. 2024/25 has been restated on this basis to aid comparability between the two years.

2. Adjustments between funding and accounting basis

2025/26

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	4,283	9,307	(129,535)	(115,945)
Schools	98,959	24,871	(1,273,502)	(1,149,672)
Children's Services Non-Schools	9,241	10,762	(38,327)	(18,324)
Universal Services	75,861	4,629	(26,627)	53,863
Corporate Services	14,427	7,881	(6,898)	15,410
Other items not allocated to services:				
Specific Grants	0	0	1,472,589	1,472,589
Other	538	2,846	(204)	3,180
Net cost of services	203,309	60,296	(2,504)	261,101
Other income and expenditure from the funding analysis	(175,316)	(36,296)	140,374	(71,238)
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	27,993	24,000	137,870	189,863
Other adjustments required under statute				
Transfer from capital grants unapplied reserve				6,825
Total adjustments between accounting and funding basis under statute				196,688

Notes to the EFA – 2025/26

Note a) Adjustments for capital purposes:

	£'000	£'000
Charges to services for depreciation and impairment	191,173	191,173
Nominal Leases	(617)	(617)
Service revenue expenditure funded from capital under statute	58,833	58,833
Capital grants and contributions applied to fund service revenue expenditure under statute	(44,507)	(44,507)
Current value of assets disposed	15,754	15,754
Current value of assets transferred to academies	11,831	11,831
Deferred Capital Receipt	0	0
Statutory minimum revenue provision for capital financing	(32,394)	(32,394)
External contribution to minimum revenue provision	695	695
Increase in capital debtors	(135)	(135)
Revenue contributions to capital	0	0
Capital grants and contributions applied	(154,989)	(154,989)
Movement in the market value of investment properties and pooled property funds	(1,280)	(1,280)
Total transferred to capital adjustment account	44,364	44,364
Transfer asset sale proceeds to capital receipts reserve	(16,371)	(16,371)
Note a) Total	27,993	27,993



2. Adjustments between funding and accounting basis

Notes to the EFA – 2025/26 continued

Note b) Adjustments for pensions:	£'000	£'000
Current service cost of funded local government pensions	84,088	84,088
Past service cost of funded local government pensions	2,632	2,632
Effect of settlements	0	0
Interest on net pension liability	(36,296)	(36,296)
Total transferred to Pension Reserve	50,424	50,424
Employer's contributions payable to the pension fund transferred from the Pension Reserve	(26,424)	(26,424)
Note b) Total	24,000	24,000

Note c) Other adjustments:	£'000	£'000
Difference between accrued cost of employee holiday benefits and those taken, transferred to the Accumulated Absences Account	(2,504)	(2,504)
Amortisation of premiums and discounts and modification gains on financial instruments transferred to the Financial Instruments Adjustment Account	(3,399)	(3,399)
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	11,274	11,274
Adjustment for soft loans advanced	(139)	(139)
Increase in the DSG deficit	132,638	132,638
Note c) Total	137,870	137,870
Total adjustments		189,863
Transfer from capital grants unapplied reserve		6,825
Total adjustments between accounting and funding basis under statute		196,688



2. Adjustments between funding and accounting basis

Notes to EFA – 2024/25 (prior year comparators)

2024/25 restated *

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Adjustments (Note c) £'000	Total Adjustments £'000
Adults & Health	5,786	15,971	(131,840)	(110,083)
Schools	90,967	43,134	(1,164,183)	(1,030,082)
Children's Services non-schools	5,131	17,480	(46,885)	(24,274)
Universal Services	70,744	10,317	(14,587)	66,474
Corporate Services	4,841	12,765	(7,465)	10,141
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	177,517	100,065	2,137	279,719
Other income and expenditure from the funding analysis	60,963	(4,948)	88,880	144,895
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	£'000
Charges to services for depreciation and impairment	175,991	175,991
Nominal Leases	(10,210)	(10,210)
Service revenue expenditure funded from capital under statute	64,879	64,879
Capital grants and contributions applied to fund service revenue expenditure under statute	(60,391)	(60,391)
Current value of assets disposed	240,670	240,670
Current value of assets transferred to academies	26,655	26,655
Deferred Capital Receipt	(22,750)	(22,750)
Statutory minimum revenue provision for capital financing	(31,917)	(31,917)
External contribution to minimum revenue provision	695	695
Increase in capital debtors	(389)	(389)
Capital grants and contributions applied	(119,240)	(119,240)
Movement in the market value of investment properties	(670)	(670)
Total transferred to capital adjustment account	263,323	263,323
Transfer asset sale proceeds to capital receipts reserve	(24,843)	(24,843)
Note a) Total	238,480	238,480

* The 2024/25 EFA Note A has been restated to aid comparison between years. Depreciation relating to former Trading Units is now shown within net cost of services adjustments, previously they were within the Other income and expenditure line.



2. Adjustments between funding and accounting basis

Notes to EFA – 2024/25 (prior year comparators) continued

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

Note c) Other adjustments:	£'000	£'000
Difference between accrued cost of employee holiday benefits and those taken, transferred to the Accumulated Absences Account	232	232
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account	(3,459)	(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	3,111
Adjustment for soft loans advanced	1,904	1,904
Increase in the DSG deficit	89,229	89,229
Note c) Total	91,017	91,017
Total adjustments		424,614
Transfer from capital grants unapplied reserve		(18,887)
Total adjustments between accounting and funding basis under statute		405,727

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 in 2024/25 £'000	Balance 1 April 2025 £'000	Movement in 2025/26 £'000	Balance 31 March 2026 £'000	Note
Revaluation reserve	(1,820,368)	144,938	(1,675,430)	(133,171)	(1,808,601)	3a
Capital adjustment account	(2,287,392)	66,836	(2,220,556)	(11,382)	(2,231,938)	3b
Deferred Capital Receipt Reserve	0	(22,750)	(22,750)	0	(22,750)	3h
Pensions reserve	(152,499)	75,104	(77,395)	106,832	29,437	3c
Accumulated absences account	18,700	232	18,932	(2,504)	16,428	3d
Financial instrument adjustment accounts	19,070	(1,555)	17,515	(3,538)	13,977	3e
Collection fund adjustment account	(14,385)	3,111	(11,274)	11,274	0	3f
DSG deficit	123,919	89,229	213,148	132,638	345,786	3g
	(4,112,955)	355,145	(3,757,810)	100,149	(3,657,661)	

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

The County Council will only crystallise a usable gain if assets that have increased in value are subsequently disposed of. The reserve is therefore unusable at the balance sheet date.

2024/25 £'000		2025/26 £'000
(1,820,368)	Balance at 1 April	(1,675,430)
(30,569)	(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(186,077)
42,296	Difference between fair value depreciation and historical cost depreciation	43,336
9,709	Write off net gains for assets transferred to Academy/Foundation schools	4,914
123,502	Accumulated gains on assets sold, scrapped or transferred to/from current assets	4,656
175,507	Amount written off to the Capital Adjustment Account	52,906
<u>(1,675,430)</u>	Balance at 31 March	<u>(1,808,601)</u>

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.

2024/25		2025/26	
£'000		£'000	£'000
(2,287,392)	Balance brought forward 1 April		(2,220,556)
(389)	Increase in Capital Debtors		(135)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
175,991	Charges for depreciation and impairment of non-current assets	191,173	
64,879	Revenue expenditure funded from capital under statute	58,833	
240,670	Assets disposals current value	15,754	
26,655	Assets transferred to Academy/Foundation schools current value	11,831	
(1,779,586)			(1,943,100)
(175,507)	Adjusting amounts written out of Revaluation Reserve		(52,906)
(1,955,093)	Net amount written out of the cost of assets consumed in the year		(1,996,006)
	Capital financing applied in the year:		
(26,532)	Capital receipts applied	(12,539)	
(31,917)	Statutory minimum revenue provision for capital financing	(32,394)	
695	External contribution to minimum revenue provision	695	
0	Revenue contributions to capital expenditure	0	
(198,518)	Capital grants and contributions applied	(192,671)	
(256,272)			(236,909)
(670)	Movement in the market value of investment properties and pooled property fund		(1,280)
1,689	Write down of capital debtors		2,874
(10,210)	Fair Value of nominal lease properties		(617)
(2,220,556)	Balance as at 31 March		(2,231,938)

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.

2024/25 £'000		2025/26 £'000
(152,499)	Balance at 1 April	(77,395)
(20,013)	Reversal of actuarial losses / (gains) on pensions assets and liabilities included in Other Comprehensive Income and Expenditure in the CIES	82,832
110,936	Reversal of retirement benefit items that were included in the Surplus or Deficit on the Provision of Services in the CIES	50,424
(15,819)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,424)
(77,395)	Balance at 31 March	29,437

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.

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. The employer's contributions shown for 2024/25 and 2025/26 take this pre-payment into account, and are therefore lower than they would have been if the pre-payment had not been made.

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.

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 takes place, amounts are transferred to the capital receipts reserve.

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.

In February 2026, the government announced the High Needs Stability Grant. This will be paid to authorities with accumulated DSG deficits on their balance sheet at 31 March 2026. A section 31 grant for up to 90% of the accumulated balance will be paid subject to Special Educational Needs and Disability (SEND) reform plans being submitted to and approved by the Department for Education (DfE). As the County Council has neither confirmation that its SEND reform plan will be accepted by DfE nor the exact amount of grant that will be paid, the grant has been disclosed as a contingent asset in the 2025/26 accounts. Assuming a grant payment is received during 2026/27 it will be held appropriately until the statutory override ends at the end of 2027/28 when it will be able to be applied to the corresponding expenditure.



4. General Fund and Earmarked Reserves

	Balance 1 April 2024 £'000	Movement in 2024/25 £'000	Balance 31 March 2025 £'000	Movement in 2025/26 £'000	Balance 31 March 2026 £'000	See note
Revenue Reserves						
A. General Fund Balance	(25,898)	(26,000)	(51,898)	(4,782)	(56,680)	a
B. County Council Earmarked Revenue Reserves						
Fully Committed to Existing Spend Programmes						
Revenue Grants Unapplied	(10,503)	2,816	(7,687)	1,515	(6,172)	b
General Capital Reserve	(155,469)	43,726	(111,743)	35,287	(76,456)	c
Street Lighting Reserve	(25,151)	(203)	(25,354)	(186)	(25,540)	d
Public Health Reserve	(10,731)	(752)	(11,483)	(17)	(11,500)	e
Other	(1,684)	(233)	(1,917)	639	(1,278)	f
	(203,538)	45,354	(158,184)	37,238	(120,946)	
Departmental / Trading Reserves						
Trading Accounts & River Hamble	(9,646)	9,282	(364)	89	(275)	g
Directorate Reserves *	(123,586)	87,122	(36,464)	3,357	(33,107)	h
	(133,232)	96,404	(36,828)	3,446	(33,382)	
Risk Reserves						
Insurance	(43,629)	19,115	(24,514)	(3,439)	(27,953)	i
Investment Risk	(10,150)	0	(10,150)	0	(10,150)	j
	(53,779)	19,115	(34,664)	-3,439	(38,103)	
Corporate Reserves						
Budget Bridging Reserve	(95,483)	(45,976)	(141,459)	(24,424)	(165,883)	k
Invest To Save	(2,250)	2,250	0	0	0	l
Corporate Policy	(1,173)	1,173	0		0	m
Corporate Cost of Change	0	(33,333)	(33,333)	525	(32,808)	n
Revenue Investment Reserve			0	(9,463)	(9,463)	o
Organisational Change	0	(2,000)	(2,000)	545	(1,455)	p
	(98,906)	(77,886)	(176,792)	(32,817)	(209,609)	
Total Earmarked Revenue Reserves available to the County Council	(489,455)	82,987	(406,468)	4,428	(402,040)	

* The Departmental Cost of Change reserve has been renamed to Directorate Reserves. Further information is on the next page.

	Balance 1 April 2024 £'000	Movement in 2024/25 £'000	Balance 31 March 2025 £'000	Movement in 2025/26 £'000	Balance 31 March 2026 £'000	
C. Other Earmarked Revenue Reserves						
Former LEP Reserves	(3,841)	(55)	(3,896)	(725)	(4,621)	q
Schools Reserves	(86,817)	1,035	(85,782)	(4,963)	(90,745)	r
Total Revenue Reserves and Balances	(606,011)	57,967	(548,044)	(6,042)	(554,086)	
D. Capital Reserves						
Capital Grants Unapplied	(227,329)	13,956	(213,373)	(7,647)	(221,020)	s
Capital Receipts Unapplied	0	0	0	(6,706)	(6,706)	t
Total Capital Reserves and Balances	(227,329)	13,956	(213,373)	(14,353)	(227,726)	
Total Usable Reserves	(833,340)	71,923	(761,417)	(20,395)	(781,812)	

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 which will be taken to County Council in July.



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) Business Units ceased to operate as trading units from 1 April 2025 and now form part of directorate budgets. The remaining balance relates to the River Hamble. This reserve holds balances accumulated by the Harbour Authority and is reserved for spend approved by the River Hamble Harbour Board.
- h) The directorate reserves enable individual services to fund specific initiatives (the majority of the fund is held for future IT investment in infrastructure and equipment) 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) Revenue investment reserve was created during 2025/26 to separately identify expenditure earmarked from the capital payments reserve for revenue improvement projects.
- p) 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

- q) The former LEP reserves represent committed spend in accordance with former Local Enterprise Partnership purposes that transferred into the Council from 1 April 2024.
- r) The purpose of the Schools reserve is to earmark the balance of unspent delegated budgets. They are not available to other services.

Capital reserves

- s) 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.
- t) The capital receipts unapplied reserve holds capital receipts that have been received and not yet applied. 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.

2024/25 £'000		2025/26 £'000
18,384	Interest payable	16,882
(31,398)	Interest receivable	(31,341)
(3,421)	Pooled Investment Funds & Investment property fair value (gains) and losses	(3,973)
0	Realised (gain) on disposal of Pooled Investment Funds	(185)
(4,948)	Pension interest	(36,296)
5,379	Increase/(Decrease) in Expected Credit Losses	7,479
(16,004)	Total within other operating expenditure	(47,434)

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

2024/25 £'000	Credited to services	2025/26 £'000
(7,309)	Adult Social Care Discharge Fund	0
(2,971)	Apprenticeship Levy - non cash adj Grant income	(4,162)
(2,320)	Bus Service Improvement Plan Grant	(5,471)
0	Children Families and Youth Grant Family Help	(3,251)
(76,143)	Contributions from Health Authorities	(72,766)
(52,881)	Contributions from other local authorities	(52,674)
(17,991)	Core School Budget Grant	(15,988)
(5,088)	Covid-19 Other Specific Grants	0
(176)	Covid-19 Practical Support (Self Isolation)	0
(2,006)	Covid-19 Recovery Premium	0
(1,041,897)	Dedicated Schools Grant	(1,161,666)
(3,673)	Developer Contributions	(4,721)
0	Extended Producer Responsibility Packaging Payment	(7,537)
(3,475)	Holiday Activities & Food Grant	(3,580)
(7,406)	Homes for Ukraine Grants	(5,400)
(14,248)	Household Support Fund Grant	(12,555)
(31,279)	Local Authority Better Care Grant	(38,588)
(20,801)	Market Sustainability and Improvement Fund Grant	(20,801)
0	National Insurance Contributions Grant	(13,900)
(64,695)	Other grants and contributions	(60,196)
(7,379)	PE and Sport Premium Grant	(6,676)
(9,373)	PFI Street Lighting Grant	(9,373)
(58,875)	Public Health Grant	(62,459)
(42,936)	Pupil Premium Grant	(44,553)
0	Schools Budget Support Grant	(7,660)
(13,408)	Teachers Pay Grant	0
(17,778)	Teachers Pensions Grant	(67)
(17,496)	Unaccompanied Asylum Seeking Children and Leaving Care Funding	(10,370)
(14,666)	Universal Infant Free School Grant	(14,772)
(60,391)	Capital grants and contributions released to fund revenue expenditure (REFCUS)	(44,507)
(1,596,661)	Total	(1,683,693)

2024/25 £'000	Credited to Taxation and Non Specific Grant Income	2025/26 £'000
	Basic Need Grant	(22,244)
(42,925)	Developer's contributions	(27,071)
(17,685)	Disabled Facilities Grant	0
(20,821)	Homes England HIF - Capacity Fund	(27,782)
(22,666)	Local Transport Plan Grant	(36,098)
(19,111)	Local Transport Plan Pot Hole Action Fund	(20,220)
(6,841)	Other Department for Transport Grants	(4,636)
(13,675)	Other contributions & miscellaneous income	(6,196)
(22,737)	Schools Condition Allocation	(27,872)
(5,547)	Schools Devolved Formula Capital	(4,510)
(7,622)	Schools High Needs Grant	(22,867)
(10,210)	Adjustment for nominal leases required by the adoption of IFRS 16	(617)
60,391	Less: Capital income used to fund revenue expenditure under statute	44,507
(129,449)		(155,606)
(199,414)	Non-ringfenced Government grants	(221,330)
(328,863)	Total	(376,936)

*The aggregation of grants has been reviewed for the 2025/26 accounts. Therefore, the grants listed in both tables above for 2024/25 have been grouped differently to how they were presented in the 2024/25 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 2025 £'000	Capital grants and contributions receipts in advance	31 March 2026 £'000	31 March 2025 £'000	Revenue grants receipts in advance	31 March 2026 £'000
(17,820)	Department for Transport Grant	(19,766)	(5,834)	Afghan Citizens Resettlement Grants	(6,134)
(19,779)	DfT Sect 31 Grant - Safer Routes	(26,928)		- Children's Social Care Prevention Grant	(2,372)
(3,763)	Other Capital grants receipts in advance	(4,231)	(1,355)	DA Bill Support to Victims	(1,800)
(6,561)	Schools Devolved Formula Capital	(5,253)	(502)	ESFA Adult Education Budget	(1,108)
(462)	Special Educational Needs and Disability	0	(5,446)	Homes for Ukraine Tariff Grant	(2,734)
(980)	Transforming Cities Fund	(1,010)	(1,388)	Local Transport Fund Grant	(1,371)
			(9,023)	Other Revenue grants receipts in advance	(5,359)
			(466)	Single Farm Payments European Grant	(127)
(49,365)	Total	(57,188)	(24,014)	Total	(21,005)

*The aggregation of grants has been reviewed for the 2025/26 accounts. Therefore, the grants listed in the table above for 2024/25 have been grouped differently to how they were presented in the 2024/25 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.

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.

In February 2026, the government announced the High Needs Stability Grant. This will be paid to authorities with accumulated DSG deficits on their balance sheet at 31 March 2026. A section 31 grant for up to 90% of the accumulated balance will be paid subject to Special Educational Needs and Disability (SEND) reform plans being submitted to and approved by the Department for Education (DfE). As the County Council has neither confirmation that its SEND reform plan will be accepted by DfE nor the exact amount of grant that will be paid, the grant has been disclosed as a contingent asset in the 2025/26 accounts. Assuming a grant payment is received during 2026/27 it will be held appropriately until the statutory override ends at the end of 2027/28 when it will be able to be applied to the corresponding expenditure.

Details of the deployment of DSG receivable for 2025/26 are as follows:

	Central expenditure £'000	Individual Schools Budget £'000	2025/26 Total £'000
Final DSG for 2024/25 before Academy and High Needs Recoupment			(1,526,680)
Academy and High Needs figure recouped for 2025/26			348,141
Total DSG after Academy and High Needs recoupment for 2024/25			(1,178,539)
Plus brought forward from 2024/25			0
Less carry forward to 2026/27 agreed in advance			0
Agreed initial budgeted distribution in 2024/25	(192,012)	(986,527)	(1,178,539)
In year adjustments		3,875	3,875
Final budget distribution in 2024/25	(192,012)	(982,652)	(1,174,664)
Less Actual central expenditure	332,089		332,089
Less Actual ISB deployed to schools		975,213	975,213
In year carry forward to 2025/26	140,077	(7,439)	132,638
DSG deficit unusable reserve at 1 April 2024			213,148
Addition to DSG unusable reserve at the end of 2024/25			132,638
Total of DSG unusable reserve at 31 March 2025			345,786
Net DSG position at the end of 2025/26			345,786

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.

The information for the current year is affected by a timing difference between the draft and final accounts, as the information required on the taxable value of expenses is not available until after the draft accounts have been produced.

Number of employees 2024/25			Including termination payments	Number of employees 2025/26			Excluding termination payments	Number of employees 2025/26		
Schools	Other	Total		Schools	Other	Total		Schools	Other	Total
681	603	1,284	£50,000 - £54,999	882	733	1,615	£50,000 - £54,999	882	732	1,614
407	278	685	£55,000 - £59,999	487	283	770	£55,000 - £59,999	486	280	766
218	262	480	£60,000 - £64,999	282	311	593	£60,000 - £64,999	281	311	592
142	114	256	£65,000 - £69,999	168	126	294	£65,000 - £69,999	167	123	290
144	148	292	£70,000 - £74,999	140	120	260	£70,000 - £74,999	137	119	256
118	36	154	£75,000 - £79,999	112	40	152	£75,000 - £79,999	111	39	150
67	42	109	£80,000 - £84,999	108	26	134	£80,000 - £84,999	108	25	133
34	49	83	£85,000 - £89,999	83	30	113	£85,000 - £89,999	81	28	109
41	16	57	£90,000 - £94,999	21	39	60	£90,000 - £94,999	20	39	59
16	12	28	£95,000 - £99,999	33	5	38	£95,000 - £99,999	33	5	38
11	11	22	£100,000 - £104,999	11	3	14	£100,000 - £104,999	10	3	13
7	12	19	£105,000 - £109,999	15	12	27	£105,000 - £109,999	14	11	25
6	9	15	£110,000 - £114,999	7	5	12	£110,000 - £114,999	7	5	12
4	5	9	£115,000 - £119,999	6	4	10	£115,000 - £119,999	6	4	10
8	2	10	£120,000 - £124,999	4	2	6	£120,000 - £124,999	4	2	6
3	4	7	£125,000 - £129,999	8	4	11	£125,000 - £129,999	8	4	11
0	2	2	£130,000 - £134,999	3	5	8	£130,000 - £134,999	3	5	8
1	5	6	£135,000 - £139,999	2	2	5	£135,000 - £139,999	2	2	5
1	1	2	£140,000 - £144,999	0	0	0	£140,000 - £144,999	0	0	0
0	3	3	£145,000 - £149,999	1	0	1	£145,000 - £149,999	1	0	1
1	0	1	£150,000 - £154,999	0	1	1	£150,000 - £154,999	0	1	1
0	1	1	£165,000 - £169,999	2	0	2	£165,000 - £169,999	2	0	2
1	1	2	£170,000 - £174,999	0	0	0	£170,000 - £174,999	0	0	0
0	1	1	£190,000 - £194,999	0	0	0	£190,000 - £194,999	0	0	0
0	1	1	£215,000 - £219,999	0	0	0	£215,000 - £219,999	0	0	0
1,911	1,618	3,529		2,375	1,751	4,126		2,363	1,738	4,101

8. Officers' Remuneration and Exit Costs

8b Senior employees' remuneration – 2025/26

Senior employees 2025/26	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 (with effect until 03/08/2025)	88,897	0	0	0	15,238	104,135
Chief Executive, Gary Westbrook (with effect from 04/08/2025)	164,651	0	0	0	29,122	193,773
Director of Adults' Health and Care, Jess Hutchinson	185,005	0	0	0	32,278	217,283
Director of Children's Services and Deputy Chief Executive, Stuart Ashley	208,691	0	0	0	35,252	243,943
Interim Director of Children's Services, Steph How (with effect from 14/03/2026)	8,952	0	0	0	1,593	10,545
Director of Public Health	139,476	0	0	0	24,827	164,303
Director of Corporate Operations, Andy Lowe	185,003	0	0	0	31,711	216,714
Director of People and Organisation, Jac Broughton	162,103	0	0	0	26,918	189,021
Director of Universal Services, Patrick Blogg	175,500	0	0	0	30,076	205,576
Director of Hampshire 2050 and Deputy Chief Executive, Gary Westbrook (with effect until 03/08/2025)	63,438	0	0	0	10,286	73,724

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 (which ended in September 2025).

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, Jess 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

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 2024/25				
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	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
	75	63	138	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
	36	455	491	12,047

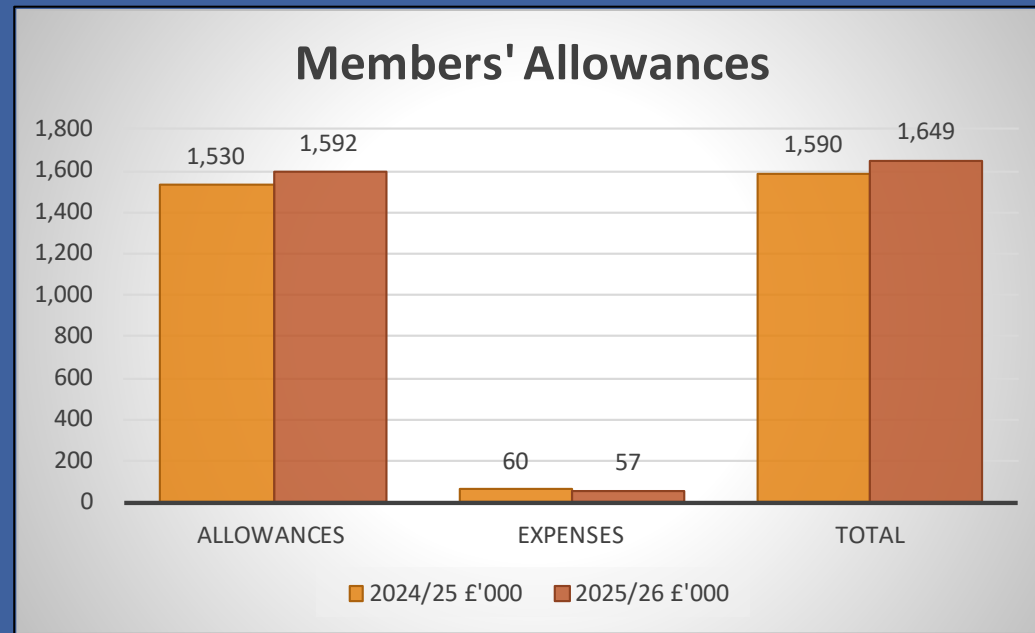
Schools 2025/26				
Exit package cost band	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages	Total exit costs in each band £'000
£0 - £20,000	53	52	105	685
£20,001 - £40,000	24	3	27	770
£40,001 - £60,000	8	2	10	495
£60,001 - £150,000	1	1	2	162
	86	58	144	2,112

Non-schools 2025/26				
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	23	32	55	279
£20,001 - £60,000	8	1	9	362
£60,001 - £100,000	6	3	9	666
£100,001 - £150,000	3	2	5	607
£150,001 - £200,000	3	0	3	527
Total number of packages	43	38	81	2,441

The decrease between 2024/25 and 2025/26 for non-schools mainly reflects the 2024/25 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 scheme enabled the County Council to make recurring savings on pay costs.

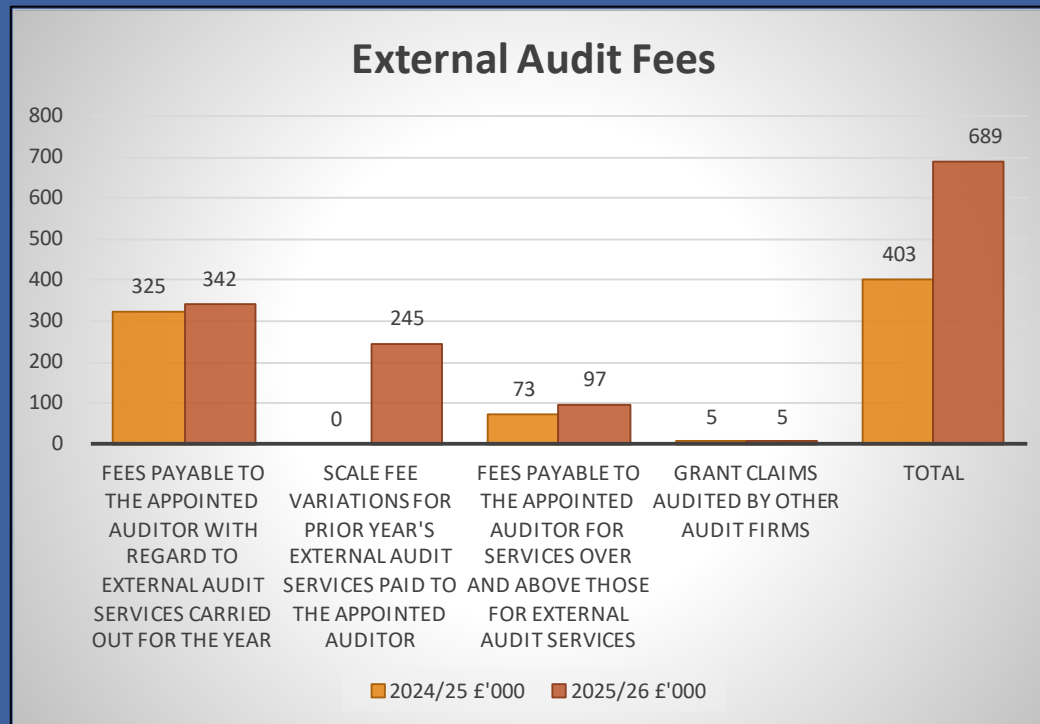
9. Members' Allowances

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



10. External Audit Fees

External audit fees incurred by the Authority can be analysed as follows:



The County Council's external auditor is EY and was appointed through Public Sector Auditor Appointments (PSAA) Ltd. A scale fee is set by PSAA for the audit each year.

The auditor can then request additional fees for any work not considered to be covered by the scale fee. The scale fee variations agreed by PSAA and paid in 2025/26 relate to the audits in 2023/24 and 2024/25.

The fees payable to the appointed auditor for services over and above those for external audit services relate to the ISAE 3402 internal controls report on the County Council's Integrated Business Centre.

11. Nature of Expenses

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

2024/25 restated * £'000		2025/26 £'000	Note
842,487	Employee Benefit Expenses - schools	863,646	a
611,124	Employee Benefit Expenses - other	569,370	a
1,657,466	Other Service Expenses	1,796,341	b
240,253	Depreciation, amortisation and impairment	250,008	c
226,719	Net Loss on disposal of non-current assets (including transfers to Academy Schools)	11,337	
23,763	Financing and Investment Expenditure	215,342	
(269,520)	Fees, charges and other service income	(264,725)	
(1,925,524)	Government Grants and Contributions	(2,060,629)	12
(884,067)	Income from council tax and non-domestic rates	(933,970)	
(39,767)	Financing and Investment Income	(262,776)	
482,934	Surplus or Deficit on the Provision of Services	183,944	

- 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.

* The Nature of Expenses Note has been expanded for 2025/26 to include all income and expenditure within the Surplus or Deficit on the Provision of Services; previously the note only included income and expenditure within the Net Cost of Services. The 2024/25 Nature of Expenses Note has therefore been restated to aid comparison between the years. The changes relating the former Trading Units have also been reflected in the restated note.

12. Income Received from External Customers

2024/25 restated * £'000		2025/26 £'000
(111,590)	Adults' Health and Care	(119,297)
(57,050)	Schools	(57,002)
(18,059)	Children's Services Non-Schools	(14,099)
(58,950)	Universal Services	(58,769)
(22,250)	Corporate Services	(13,336)
(736)	Other items not allocated to services	(805)
(268,635)	Total income from external customers analysed by service	(263,308)

* The 2024/25 Income received from external customer note has been restated to aid comparison between years. The note now includes external income relating to the former Trading Units.

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 2025/26 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 16 related party transactions totalling £11,192 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 owned a 51% share in Reading Hampshire Property Partnership Ltd (RHPP), which commenced operations on 1 April 2014 and ceased trading from 1st April 2025. This was a public to public venture, based on the Teckal principle, to provide property services to Reading Borough Council. The Board of Directors was 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.

From 1 April 2025 the RHPP ceased trading and was dissolved. HCC's share of residual assets of RHPP received in the 2025/26 financial year was £510.

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 2025/26, Hampshire County Council spent £34.8m (£39.7m 2024/25) 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 £1.2m (subject to audit) which would result in an estimated dividend for the Authority of £595,500. 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 2025/26 there were a total of 429 contributing scheduled, admitted, community admission, transferee admission, and resolution bodies in the Pension Fund (402 in 2024/25). The County Council's administration charge to the Pension Fund in 2025/26 was £4.15m (£4.12m in 2024/25).

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 2026 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	23,918	5,907	29,825
Accrued interest	1,344	3,009	4,353
Expected Credit Losses	(899)	(857)	(1,756)
Soft loan adjustment	(1,765)	0	(1,765)
Net balance of loans	22,598	8,059	30,657

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.

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 £1.2m (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 from that point onwards. 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 2025/26 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 and the London Borough of Hammersmith and Fulham. 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 2026 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.

2024/25 £'000	2025/26 £'000
55,635 Operational land and buildings retained by the County Council and used by the Trust	54,193
2,898 Community assets retained by the County Council and used by the Trust	2,898
(2,502) Annual County Council revenue grant provided to the Trust	(2,403)
(5,837) Other unrestricted income received by the Trust	(6,256)
8,471 Unrestricted expenditure by the Trust	9,078
(949) Trusts' unrestricted reserves	(1,219)

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.

2024/25 £'000		2025/26 £'000
723,982	Opening capital financing requirement	742,535
13,820	Adjustment to opening balance due to the adoption of IFRS 16	9,896
	<i>Capital investment:</i>	
180,886	Capital spending on property, plant and equipment	178,980
64,598	Revenue expenditure funded by capital under statute	55,462
12,750	Manydown land transaction	0
768	Loans advanced for capital expenditure	0
818	Leases under IFRS 16	773
2,380	Revaluation of PFI assets	1,732
	<i>Funded by:</i>	
(14,282)	Capital receipts	(12,539)
(198,518)	Grants and other income	(192,671)
(12,750)	Manydown land transaction	0
(31,917)	Minimum revenue provision	(32,394)
742,535	Closing capital financing requirement	751,774
	Explanation of movements in year	
(11,504)	Increase/(decrease) in borrowing (supported by government financial assistance)	(11,504)
23,210	Increase/(decrease) in borrowing (unsupported by government financial assistance)	19,894
6,847	Increase/(decrease) in borrowing related to PFI contracts and leases	849
18,553	Increase/(decrease) in Capital Financing Requirement	9,239

The Adjustment to the opening balance relates to a 24/25 unadjusted audit variance relating to implementation of IFRS 16 and its impact on revaluation of the Street Lighting PFI.

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. 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	2025/26	1,669	521	2,191
Next year	2026/27	1,504	442	1,947
Years two to five	2027/28 - 2030/31	2,808	1,214	4,021
Later than five years	2031/32	4,345	3,665	8,009
		10,325	5,843	16,168

In addition the County Council leases a number of properties at nominal lease value. These are recognised as donated assets. In 25/26 the value of these was £0.6m

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 £5.1m in 2025/26 (£5.44m in 2024/25).

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

	2024/25 £'000	2025/26 £'000
Not later than one year	5,102	4,744
Later than one year and not later than five years	13,215	12,447
Later than five years	54,853	48,932
Total future minimum lease payments	73,170	66,123

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 the adjustment to opening balances in 24/25 years relates to the adoption of the new accounting standard IFRS 16. The adjustment in 25/26 relates to an unadjusted audit variance relating to this implementation and its impact on revaluation of the Street Lighting PFI.

2024/25		2025/26
£'000	Gross book value	£'000
127,810	At 1 April	130,770
1,636	Adjustment to Opening Balance	9,896
129,446	Revised value as at 1st April	140,666
1,324	Additions	532
130,770	Gross book value at 31 March	141,198
	Depreciation	
(45,069)	At 1 April	(49,579)
(4,510)	Depreciation for the year	(5,062)
(49,579)	Depreciation at 31 March	(54,641)
84,377	Net book value at 1 April	91,087
81,191	Net book value at 31 March	86,557
	The movement in the deferred liability was:	
(79,210)	Balance brought forward 1 April	(78,227)
1,636	Adjustment to Opening Balance	(9,896)
(80,846)	Revised value as at 1st April	(88,123)
3,943	Principal repayment in the year	4,868
1,324	Revaluation	(532)
(78,227)	Balance at 31 March	(83,787)
(4,487)	Finance lease repayable in one year	(5,567)
(73,740)	Deferred liability	(78,220)
(78,227)		(83,787)

18. PFI and Service Concessions

A PFI grant of £9 million from the Department of Transport was received by the County Council in 2025/26 with a balance of £84 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 9 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	5,567	8,197	8,111	21,875
Years two to five	30,513	26,686	33,719	90,918
Years six to nine	48,109	12,410	35,564	96,083
	84,189	47,293	77,394	208,876

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.

2024/25 £'000		2025/26 £'000
Gross book value		
92,344	At 1 April	91,778
3,530	Adjustment to Opening Balance	0
88,814	Revised value as at 1st April	91,778
1,056	Additions	0
1,908	Revaluations	1,197
91,778	Gross book value at 31 March	92,975
	Depreciation	
(5,365)	At 1 April	(6,908)
5,365	Adjustment to Opening Balance	0
0	Revised value as at 1st April	(6,908)
(6,908)	Depreciation for the year	(6,995)
(6,908)	Depreciation at 31 March	(13,903)
88,814	Net book value at 1 April	84,870
84,870	Net book value at 31 March	79,072
	The movement in the deferred liability was:	
(33,973)	Balance brought forward 1 April	(32,251)
1,835	Adjustment to Opening Balance	0
(35,808)	Revised value as at 1st April	(32,251)
4,613	Principal repayment in the year	5,013
1,056	Revaluation	(1,197)
(32,251)	Balance at 31 March	(28,435)
(5,001)	Finance lease repayable in one year	(5,473)
(27,250)	Deferred liability	(22,962)
(32,251)	Balance at 31 March	(28,435)

18. PFI and Service Concessions

18b Project Integra

The waste management contract has five 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	5,473	1,383	54,887	61,743
Years two to five	24,885	2,922	240,745	268,552
	30,358	4,305	295,632	330,295

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 has been 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.

Note i – Adjustment to the opening balance relates to a 24/25 unadjusted audit variance relating to implementation of IFRS 16 and impact on revaluation of the Street Lighting PFI.

Capital Commitments

Commitments for major contracts entered into up to 31 March 2026 are estimated at £84.6 million (£111 million in 2024/25). This includes £37.3 million (£84.6 million in 2024/25) for highways and £47.3 million (£26.4 million in 2024/25) for buildings.

	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 2025	3,285,308	292,023	44,386	17,802	64,582	104,935	3,809,036	222,548
Adjustment to opening balance (note i)	0	9,896	0	0	0	0	9,896	9,896
Revised value as at 1st April 2025	3,285,308	301,919	44,386	17,802	64,582	104,935	3,818,932	232,444
Additions in year	26,449	3,877	6,350	127	75,811	2,381	114,995	532
Revaluation increases/(decreases) recognised in the Revaluation Reserve	71,982	2,652	0	0	0	17,641	92,275	1,197
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(45,841)	(98)	0	0	0	(4,264)	(50,203)	0
Derecognition - Disposals	(13,797)	(3,324)	(9,681)	0	0	(5,840)	(32,642)	0
Derecognition - Other	(14,155)	0	(95)	0	0	0	(14,250)	0
Assets reclassified to held for sale	(2,137)	0	0	0	0	(2,720)	(4,857)	0
Other movements in cost or valuation	7,226	3,614	0	0	(30,585)	15,874	(3,871)	0
At 31 March 2026	3,315,035	308,640	40,960	17,929	109,808	128,007	3,920,379	234,173
Accumulated depreciation and impairment								
At 31 March 2025	(288,984)	(59,853)	(22,532)	(242)	0	(3,693)	(375,304)	(56,487)
Depreciation Charge	(85,045)	(15,399)	(5,537)	0	0	(133)	(106,114)	(12,057)
Depreciation written out on revaluation	99,303	242	0	0	0	753	100,298	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	26,565	36	0	0	0	580	27,181	0
Impairment losses recognised in the Revaluation Reserve	(4,702)	0	0	0	0	(110)	(4,812)	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(7,188)	0	0	0	0	0	(7,188)	0
Derecognition - Disposals	7,527	748	8,961	0	0	176	17,412	0
Derecognition - Other	2,347	0	72	0	0	0	2,419	0
Assets reclassified to held for sale	95	0	0	0	0	102	197	0
Other movements in depreciation and impairment	2,244	(488)	0	0	0	(2,048)	(292)	0
At 31 March 2026	(247,838)	(74,714)	(19,036)	(242)	0	(4,373)	(346,203)	(68,544)
Net Book Value								
At 31 March 2026	3,067,197	233,926	21,924	17,687	109,808	123,634	3,574,176	165,629

19. Property, Plant and Equipment

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

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 adjustment to write back of in year depreciation for revalued assets has no impact on the NBV of the assets of the accounts 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
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	0	0	0	0	93,493	(1,894)
Revised value as at 1 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)	0	0	0	0	13,274	5,365
Revised value as at 1 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

Highways Network Infrastructure Assets

Movement on balances	2024/25 £'000	2025/26 £'000
Net Book Value (Modified Historical Cost) at 1 April	1,051,652	1,102,504
Adjustment to Opening Balance (note i)	(82,737)	0
Revised value as at 1st April 2024	968,915	1,102,504
Additions	87,240	67,108
Depreciation	(47,434)	(54,384)
Other movements in cost	93,783	871
Net Book Value as at 31 March	1,185,241	1,116,099
Reconciling note to the PPE value shown on the Balance Sheet	31 March 2024 £'000	31 March 2025 £'000
Highways Network Infrastructure assets	1,102,504	1,116,099
Other PPE	3,433,732	3,574,176
Total PPE	4,536,236	4,690,275

Note i – the adjustment to opening balances in 2024/25 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.

2024/25 £'000		2025/26 £'000
57,564	Balance at start of the year	29,732
	Additions:	
12,750	- purchases	0
(41,130)	Disposals	0
697	Net gains/(losses) from fair value adjustments	1,238
	Transfers:	
(149)	- (to)/from Property, Plant and Equipment	(81)
29,732	Balance at end of the year	30,889

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 2026	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	No level £'000	Total £'000
Investment Assets	0	29,639	1,250	0	30,889
Surplus Assets	841	93,499	26,181	3,113	123,634
Total	841	123,138	27,431	3,113	154,523

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 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	see note
Financial assets:					
Investments:					
At amortised cost					
- Principal	40,173	20,000	128,008	52,510	
- Accrued interest	0	0	1,485	827	
At Fair Value through profit & loss					
- Fair value	110,893	113,737	10,110	0	
Total investments	151,066	133,737	139,603	53,337	
Cash & cash equivalents:					
- Cash (including bank accounts)	0	0	(93,748)	(25,250)	
- At amortised cost	0	0	49	12,361	
- At Fair Value through Profit & Loss	0	0	112,170	100,860	
Total cash and cash equivalents	0	0	18,471	87,971	22a
Loans & receivables - Debtors	40,954	39,607	131,918	137,071	
Total financial instrument debtors	40,954	39,607	131,918	137,071	
Total financial instrument assets	192,020	173,344	289,992	278,379	
Financial liabilities at amortised cost:					
Borrowing	(153,000)	(143,000)	(71,647)	(75,254)	22e
Developers' contributions	(155,505)	(156,004)	0	0	22g
Creditors and receipts in advance	0	0	(125,888)	(123,583)	22h
PFI & other deferred liabilities	(113,766)	(111,637)	(11,110)	(12,544)	22i
Financial liabilities at amortised cost	(422,271)	(410,641)	(208,645)	(211,381)	

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 2025 £'000	31 March 2026 £'000
1,209 Cash in hand	1,113
49 Cash equivalents measured at amortised cost	12,361
112,170 Cash equivalents measured at fair value through profit & loss	100,860
(30,892) Uncleared BACS payments	(25,970)
(64,065) Bank overdraft*	(393)
18,471	87,971

*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	2025/26 £'000
0 Opening balance at start of year	7,752
10,000 Nominal value of new soft loans	0
(1,904) Fair value adjustment on initial recognition	0
(344) Expected Credit Loss adjustment	0
0 Increase in discounted amount	139
7,752 Closing balance at end of year	7,891

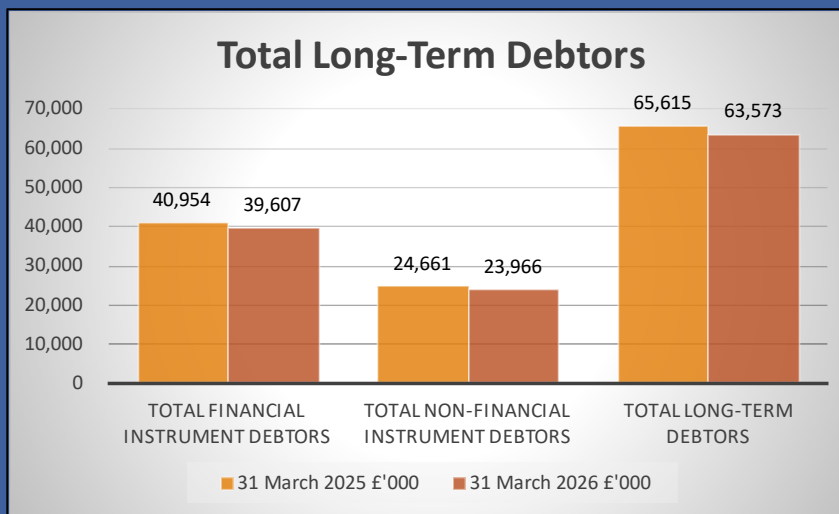
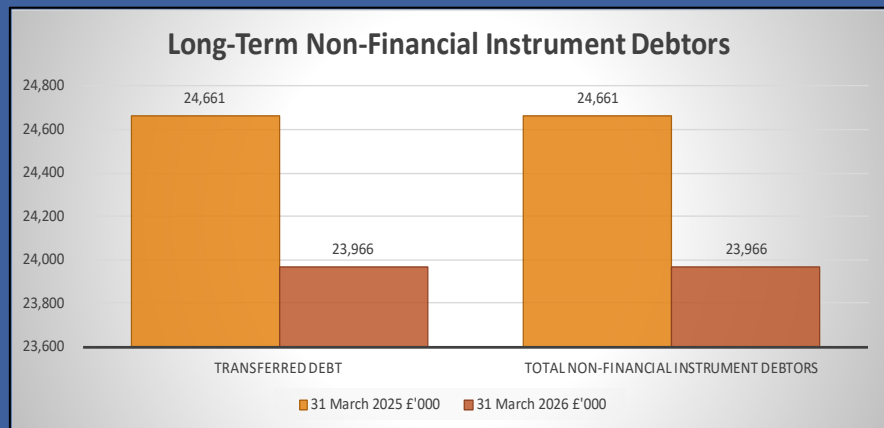
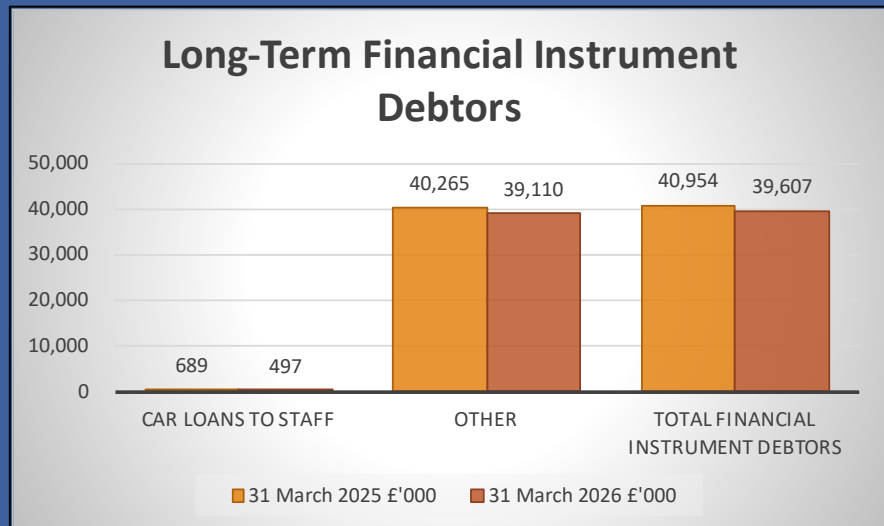
22. Financial Instruments

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.

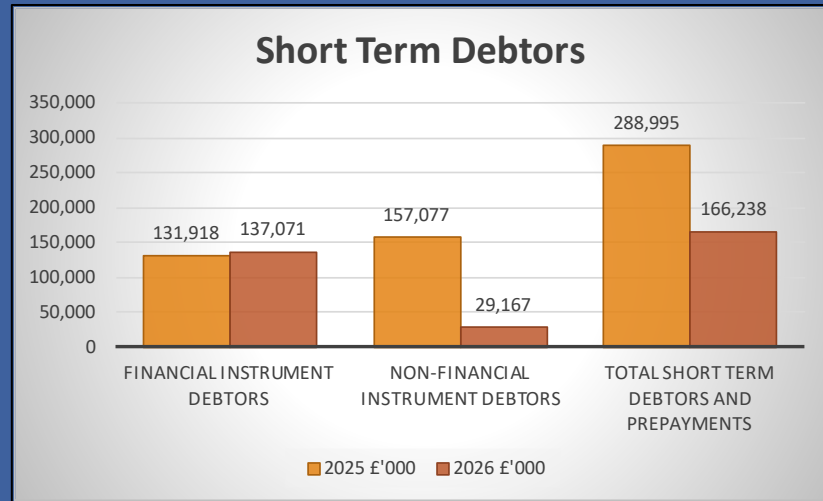
The non-financial instrument long-term debtors are made up of transferred debt. This represents the amounts of capital advances due to be repaid after statutory transfers of former services to Portsmouth and Southampton Unitary Authorities. These are shown at the book value of the amount outstanding.



22. Financial Instruments

22d Short-term debtors

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



In 2023/24 the County Council pre-paid three year's worth of employer pension contributions covering the period of 2023/24 – 2025/26. At 31 March 2025 there was a short-term prepayment recognised as a non-financial instrument debtor. At 31 March 2026 there was no prepayment.

The significant movement between 31 March 2025 and 31 March 2026 in the above table is mainly due to the end of the three year prepayment.

22e Borrowing

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

Long term			Short term	
31 March 2025	31 March 2026		31 March 2025	31 March 2026
£'000	£'000		£'000	£'000
(141,000)	(131,000)	Loans at amortised cost:	(10,222)	(11,105)
(12,000)	(12,000)	-Public Works Loan Board (PWLB)	(174)	(175)
		-Market loans	(61,251)	(63,974)
		-Other short-term borrowing	(71,647)	(75,254)
(153,000)	(143,000)			

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.

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.

2024/25			Fair Value	2025/26	
Balance Sheet	Fair Value		Value	Balance Sheet	Fair Value
£'000	£'000	Financial Assets held at fair value:	Level	£'000	£'000
112,170	112,170	Money market funds	1	100,860	100,860
50,003	50,003	Equity, bond and multi-asset funds	1	42,699	42,699
71,000	71,000	Property funds	2	71,039	71,039
233,173	233,173	Total		214,598	214,598
		Financial Assets held at amortised cost:			
20,173	20,509	Corporate & government bonds	1	0	0
38,429	38,162	Long-term company loans	3	37,372	37,070
20,528	17,990	Long-term loans to local authorities & housing associations	2	20,000	18,447
79,130	76,661	Total		57,372	55,517
169,709		Assets for which fair value is not disclosed - (note i)		179,753	
482,012	309,834	Total financial instrument assets		451,723	270,115
		Recorded on balance sheet as:			
151,066		Long-term investments		133,737	
40,954		Long-term debtors		39,607	
139,603		Short-term investments		53,337	
131,918		Short-term debtors		137,071	
18,471		Cash and cash equivalents		87,971	
482,012		Total financial instrument assets		451,723	

note i

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

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

note ii

9/14

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

2024/25			2025/26		
Highways £'000	Other £'000	Total £'000	Highways £'000	Other £'000	Total £'000
(98,155)	(70,510)	(168,665)	(96,007)	(59,498)	(155,505)
(13,116)	(20,623)	(33,739)	(9,243)	(22,277)	(31,520)
15,264	31,635	46,899	12,397	18,624	31,021
(96,007)	(59,498)	(155,505)	(92,853)	(63,151)	(156,004)
Balance at 1 April					
Income					
Contributions applied					
Balance at 31 March					

22h Short-term creditors

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

	31 March 2025 £'000	31 March 2026 £'000
Financial instrument creditors	(125,888)	(123,583)
Non-financial instrument creditors	(67,384)	(43,864)
Total short term creditors	(193,272)	(167,447)

22i Deferred liabilities

Long term		Short term	
31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000
(100,990)	(101,182)	(9,488)	(11,040)
(7,930)	(7,152)	(1,622)	(1,504)
(4,846)	(3,303)	0	0
(113,766)	(111,637)	(11,110)	(12,544)
PFI and Service Concessions		18a & 18b	
IFRS 16 Lease liabilities			
Other Long Term Deferred liabilities			
Balance at 31 March			

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	31 March	31 March	31 March
	2025 £'000	2026 £'000	2025 £'000	2026 £'000
AAA	20,173	0	53,235	0
AA+	0	0	19,762	0
AA-	0	0	33	5,039
A+	0	0	26	17,524
AAA Money market funds	0	0	112,170	100,860
Unrated local authorities	20,000	20,000	56,485	43,135
Unrated pooled funds	110,983	113,737	10,110	0
Total	151,156	133,737	251,821	166,558

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, debts are only written off 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 2025	(1,374)	(26,432)	(27,806)
Amounts written off	0	2,729	2,729
New charges for ECL	(400)	(7,079)	(7,479)
As at 31 March 2026	(1,774)	(30,782)	(32,556)

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 2026 was as follows:

Discounted (principal)	Undiscounted (principal plus interest)		Discounted (principal)	Undiscounted (principal plus interest)
31 March 2025	31 March 2026		31 March 2025	31 March 2026
£'000	£'000		£'000	£'000
(14,395)	(20,275)	Not over one year	(15,279)	(20,839)
(10,000)	(16,744)	Between one and two years	(8,000)	(14,148)
(25,000)	(42,295)	Between two and five years	(25,000)	(41,189)
(78,000)	(96,741)	Between five and 10 years	(92,000)	(106,893)
(36,000)	(38,583)	Between 10 and 20 years	(14,000)	(15,388)
(163,395)	(214,638)	Total	(154,279)	(198,457)

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 2026, £139m of principal borrowed was at fixed rates and £14m 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 £286m at 31 March 2026 and fixed rates was £20m.

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 either the Pooled Fund Adjustment Account or the Capital 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.

The impact of a 5% fall in prices are shown in the following table:

	31 March 2025		31 March 2026	
	Impact of a 5% fall in the prices of: Commercial Property £'000	Equity Shares £'000	Impact of a 5% fall in the prices of: Commercial Property £'000	Equity Shares £'000
Charged to Surplus or Deficit on the Provision of Services and transferred to the Pooled Fund Adjustment Account	1,582	1,650	1,945	1,696
Charged to Surplus or Deficit on the Provision of Services and transferred to the Capital Adjustment Account	1,476	0	1,596	0
Total impact on Comprehensive Income and Expenditure	3,058	1,650	3,541	1,696

Foreign exchange risk

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

23. Provisions

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

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

	note	31 March 2025	Use of Provision In Year	Increase or decrease in 2025/26		31 March 2026
		£'000	£'000	Central Provision £'000	Service Provision £'000	£'000
Insurance claims	a	(20,234)	4,595	1,418	(7,005)	(21,226)
Business rates appeals	b	(2,770)	2,770	0	0	0
Other	c	(1,346)	616	0	(577)	(1,307)
Total Provisions		(24,350)	7,981	1,418	(7,582)	(22,533)

Note a. The insurance provision represents an assessment of the likely cost of liability claims known to the County Council at 31 March 2026. 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

Note 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 as nil on 31 March 2026 due to the timing difference between the production of the draft accounts and the availability of business rates information.

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

24. Post Employment Benefits

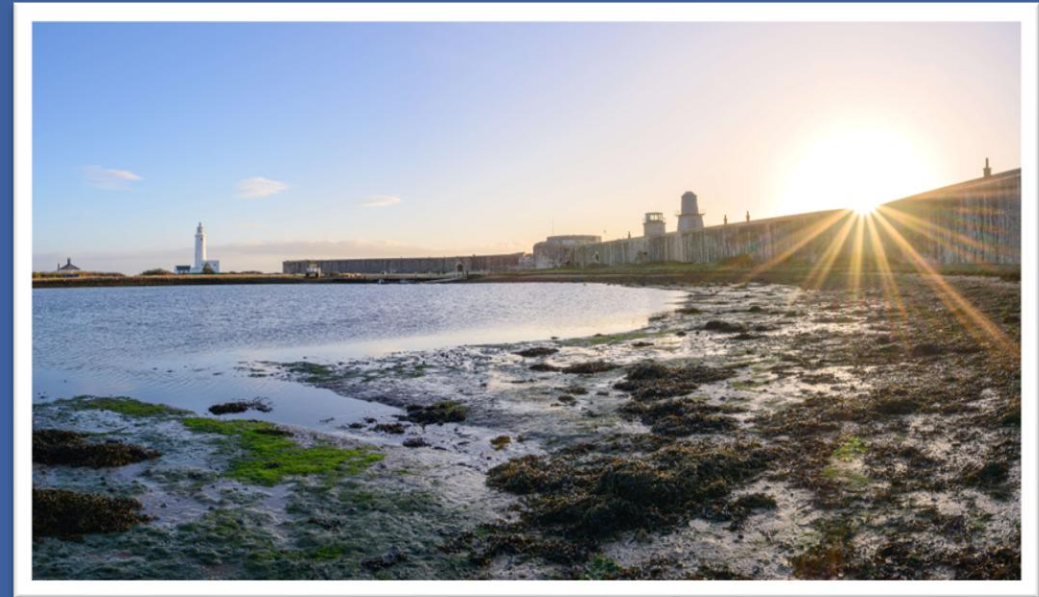
As part of the terms and conditions of employment of its staff, the County Council makes contributions towards the cost of post-employment benefits. These will be paid only when employees retire but in accordance with IAS19 the County Council must account for the commitments at the time that employees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

The Council participates in three pension schemes:

a) Pension schemes accounted for as defined contribution schemes:

- The Teachers Pension Scheme
- The NHS Pension Scheme

b) The Local Government Pension Scheme (LGPS)



Hurst Castle and Hurst Point Lighthouse

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 2025/26 total employer's contributions were £100.473 million representing 29.2% of pensionable pay (£97 million representing 29% of pensionable pay in 2024/25).

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 2025/26 total employer's contributions were £31,479.

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 2026, Pension Fund assets and liabilities have been included in the Balance Sheet based on a formal actuarial valuation at 31 March 2025. As part of the 2025 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:

2024/25 £'000		2025/26 £'000
	Included in the Comprehensive Income and Expenditure Statement:	
	<i>Cost of Services</i>	
115,835	Current service cost of funded LGPS pensions	84,088
2,660	Past service cost of funded LGPS pensions	2,632
(2,611)	Effect of Settlements	
	<i>Financing and Investment Income and Expenditure</i>	
(4,948)	Interest on net defined liability	(36,296)
110,936	Total post employment benefits charges to the surplus/deficit on the provision of services	50,424
	Remeasurements in Other Comprehensive Income:	
27,024	Return on plan assets (excluding that recognised in net interest)	(15,611)
	Actuarial (gains)/losses arising:-	
(580,333)	Actuarial (gains) / losses due to change in financial assumptions	(79,691)
(6,610)	Actuarial (gains) / losses due to change in demographic assumptions	(82,046)
(38,275)	Actuarial (gains) / losses due to liability experience	156,531
578,181	Effect of asset ceiling	103,649
(20,013)	Total amount recognised in Other Comprehensive Income and Expenditure	82,832
90,923	Total post employment benefits charges to the Comprehensive Income and Expenditure Statement	133,256
	<i>Movement in reserves statement</i>	
(110,936)	Reversal of net changes made to the surplus/deficit for the provision of services for post employment benefits in accordance with IAS19	(50,424)
	<i>Actual amount charged against the General Fund Balance for pensions in the year</i>	
15,819	Employer's contributions payable to the fund	26,424
15,819	Charge on General Fund	26,424

24. Post Employment Benefits

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

31 March 2025 £'000		31 March 2026 £'000
(3,729,498)	Opening present value of liabilities	(3,298,345)
(115,835)	Current service cost	(84,088)
(181,042)	Interest expense on defined benefit obligation	(190,981)
(39,612)	Contributions by participants	(39,282)
	Actuarial gains/(losses) on liabilities:	
580,333	- financial assumptions	79,691
6,610	- demographic assumptions	82,046
38,275	- liability experience	(156,531)
136,942	Net benefits paid out (note i)	137,281
(2,660)	Past service cost	(2,632)
8,142	Settlements	0
(3,298,345)	Closing present value of liabilities	(3,472,841)

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

31 March 2025 £'000		31 March 2026 £'000
3,881,997	Opening fair value of assets	3,375,740
185,990	Interest income on assets	227,277
(27,024)	Remeasurement gains/(losses) on assets	15,611
(578,181)	Effect of asset ceiling	(103,649)
15,819	Contributions by employer	26,424
39,612	Contributions by participants	39,282
(136,942)	Net benefits paid out (note i)	(137,281)
(5,531)	Settlements	0
3,375,740	Closing fair value of assets	3,443,404

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 2025 £'000		31 March 2026 £'000
	Present value of the defined benefit obligation:	
(3,264,888)	LGPS funded	(3,443,404)
	Unfunded Liabilities:	
(13,792)	LGPS	(12,062)
(19,665)	Teachers	(17,375)
(3,298,345)	Total	(3,472,841)
3,375,740	Fair value of assets in the scheme	3,443,404
77,395	Net (liability)/asset arising from defined benefit obligation	(29,437)

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 2025 %		31 March 2026 Quoted %	31 March 2026 Unquoted %	31 March 2026 Total %
33.4	Equities	34.6	0	34.6
14.6	Government bonds	15.3	0	15.3
9.1	Property	0	8.6	8.6
9.2	Corporate bonds	4.3	4.7	9.0
1.9	Cash	1.4	0	1.4
31.8	Other*	8.6	22.6	31.2
100.0		64.2	35.9	100.1

*Other comprises hedge funds, currency holdings, futures and private equities

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 2025	31 March 2026
2.8% Rate of Inflation (CPI)	3.00%
3.8% Rate of increase in salaries	4.00%
2.8% Rate of increase in pensions	3.00%
5.8% Rate for discounting scheme liabilities	6.20%
Longevity at 65 for current Pensioners (years):	
22.0 Men (LGPS)	22.1
24.7 Women (LGPS)	24.7
Longevity at 65 for future Pensioners (years):	
22.5 Men (LGPS)	22.8
25.6 Women (LGPS)	25.9
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 2026 from changes in assumptions

	Increase in assumption		Decrease in assumption	
	£'000	%	£'000	%
Discount rate (increase / decrease 0.1% per annum)	54,796	2	(54,796)	-2
Salary increase rate (increase / decrease 0.1% per annum)	(1,705)	-	1,705	-
Pension increase rate (increase / decrease 0.1% per annum)	(53,055)	2	53,055	-2
Longevity (increase / decrease by 1 year)	(138,914)	-4	138,914	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](#) confirms a funding target of 105% to provide a buffer for employers from adverse future experience, particularly from extreme events.

The most recent triennial valuation was completed on 31 March 2025 and is reflected in these financial statements. Based on this valuation the County Council is not currently in deficit.

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

The fixed contributions expected to be made to the Hampshire LGPS by the County Council in the year to 31 March 2027 is £92.681m. 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 the 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, £4.98m 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 £8.3m.

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 ongoing amounts from Portsmouth City Council that relate to the former Solent LEP.

However, as the amount and timing of any amounts to be received will only be confirmed by future events outside the control of the County Council we are disclosing this as a contingent asset.

25. Contingent Assets

High Needs Stability Grant

In February 2026, the government announced the High Needs Stability Grant to support local authorities with Dedicated Schools Grant (DSG) deficits. The County Council is one of the authorities with an accumulated deficit as at the 31 March 2026 balance sheet date.

There is a statutory override in place until 31 March 2028 as set out in Section 30(L) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Under this statutory override, the County Council is required to hold the accumulated DSG deficit in an unusable reserve. The balance at 31 March 2026 is £345.8m.

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. The County Council is therefore disclosing the High Needs Stability Grant as a contingent asset.

This is because the government guidance, as set out in the [Explanatory note on the government's approach to Dedicated Schools Grants deficits](#), sets out that: *"Allocations of the High Needs Stability Grant will only be paid once a local authority has developed and submitted to the Department for Education a Local Special Educational Needs and Disability (SEND) reform plan which is then approved as meeting the required criteria."*

For authorities with an approved SEND reform plan, the government will make a Section 31 grant payment during 2026/27 for up to 90% of the accumulated deficit at 31 March 2026. Once approved and paid, the grant will relate to expenditure incurred by the County Council up to 31 March 2026, however it will not be possible to apply the grant to expenditure until the statutory override ends. The County Council will therefore have to hold the grant appropriately until that point.

The County Council fully expects to submit a reform plan that is accepted by the DfE, however the acceptance of this plan is outside of the control of the County Council and the payment of the High Needs Stability Grant is therefore dependent on future events not wholly within the control of the County Council. Furthermore, it will be for the DfE to confirm the amount of any grant to be paid to the County Council. Assuming the County Council's reform plan is approved, the grant received could be in the region of £310m however this is an indicative figure and any amount will be confirmed by the DfE during 2026/27.

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 £21.22 million at 31 March 2026 (see note 23) and a reserve earmarked for potential future claims, £27.95 million at 31 March 2026 (see note 4i).

The County Council receives claims under part 1 of the Land Compensation Act 1973 relating to highway alterations. 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 or the timing over when they may be resolved.

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 (a Section 37 certificate). 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 were made during the period 1996 to 2016 which could impact member benefits. At the date of publication of these accounts, it is unknown whether Section 37 certificates exist for all prior amendments made to the LGPS.

To address the issues arising from the legal judgement the Government introduced the Pension Schemes Act 2026 which included provisions to address the potential Section 37 issue. It does this by allowing retrospective confirmation by the fund's current actuary that historic benefit changes 'met the necessary standards' and that 'scheme obligations will otherwise be unaffected'.

The legislative changes make it unlikely that this will impact the liabilities of the County Council to the LGPS, however until our actuary has provided written confirmation we are unable to conclude definitively 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 and we are instead disclosing as a contingent liability.

26. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 23 June 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 2026, 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.

Local Government Reorganisation (LGR)

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. The Government announced its position on the future structure of local government across Hampshire and the Solent area on 25 March 2026, setting out the intention to replace the 15 councils currently in place across the areas with five unitary councils from April 2028 – four on the Hampshire mainland and a standalone council on the Isle of Wight. A legal process must be followed to implement this decision, including the passing of a Structural Change Order setting out how reorganisation will happen. There will also be a shadow period, where a new council is elected and the new working arrangements are set up before the new councils formally start. A shadow council is elected in advance of the new council starting and alongside existing councils and prepares for “day one” by setting up governance, senior appointments, budgets, and the transition plan. Activity to support LGR has continued to progress since the balance sheet date and prior to the signing of the Statement of Accounts.

Devolution

The draft Statutory Instrument to establish the Hampshire and Solent Combined County Authority (HSCCA) was debated in the House of Lords on 18 May and in the House of Commons on 20 May. Following approval from both houses, the SI was made by the Secretary of State on 3 June 2026: [Hampshire and the Solent Combined County Authority Regulations 2026](#) enabling the new HSCCA to be legally established. The inaugural meeting of the HSCCA will take place in the summer of 2026, with the election of a mayor due to take place in May 2028.

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:

2024/25 £'000	2025/26 £'000
18,360 Interest paid	12,650
(29,383) Interest received	(30,409)
(11,023)	(17,759)
<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements</u>	
(156,599) Depreciation	(160,498)
(19,392) Impairments and downward revaluations	(30,675)
(5,379) (Increase)/decrease in expected credit losses	(7,479)
80,931 (Increase)/decrease in creditors	48,528
(99,651) Increase/(decrease) in debtors	(122,089)
(1,047) Increase/(decrease) in inventory	(626)
(95,117) Movement in Pension Liability	(24,000)
(240,670) Carrying amount of non-current assets sold	(15,754)
(26,655) Carrying amount of assets transferred to academy / foundation Trust schools	(11,831)
(1,040) Adjustment for provisions	1,817
3,421 Movement in the value of investment properties, financial assets and assets held for sale	2,288
(280) Property, plant & equipment (PPE) written off as revenue (REFCUS)	(3,673)
(2,223) Adjustments relating to financial instruments as per accounting standards	(708)
22,750 Deferred capital receipts credited to income	(330)
10,210 Adjustment for nominal leases on adoption of IFRS 16	617
(170) Other adjustments	-
(530,911) Non-cash movement	(324,413)

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

2024/25 £'000	2025/26 £'000
<u>Adjustments to net surplus or deficit on the provision of services for items that are investing or financing cash flows</u>	
40,621 Proceeds from the sale of property, plant and equipment	19,245
129,449 Capital grants and contributions	155,606
(1,615)	(1,669)
168,455 Investing/financing cash flows	173,182

27b. Cash Flow Statements – Investing Activities

2024/25 £'000		2025/26 £'000
	Cash outflows	
154,151	Purchase of property, plant and equipment	164,613
243,607	Purchase of short-term and long-term investments	386,304
	Cash inflows	
(40,696)	Proceeds from the sale of property, plant and equipment	(16,759)
(327,170)	Proceeds from the sale of short-term and long-term investments	(492,085)
(111,195)	Capital grants	(159,061)
(1,689)	Other income	(2,874)
(82,992)	Net cash outflow from investing activities	(119,862)

27c. Cash Flow Statements – Financing Activities

2024/25 £'000		2025/26 £'000
	Cash outflows	
10,171	Cash payments for the reduction of the outstanding liabilities relating to PFIs and Right of Use Assets	11,550
14,809	Repayments of short- and long-term borrowing	14,237
	Cash inflows	
(13,223)	Cash receipts of short- and long-term borrowing	(7,443)
(726)	Other receipts from financing activities	(695)
11,031	Net cash outflow from financing activities	17,649



28. Accounting Policies and Critical Judgements in Applying Accounting Policies

General principles

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

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 £781m at the end of 2025/26, 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 2026 noted however that: *"As an Authority 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"* and that:

"The only thing that is avoiding a S114 notice for the 2026/27 financial year is the level of reserves that the County Council has managed to transfer to the Budget Bridging Reserve.... However, the significant draw required from the BBR does not represent anything like a sustainable financial position."



28. Accounting Policies and Critical Judgements in Applying Accounting Policies

Therefore, 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 its 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 2026 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 standards being introduced in the 2026/27 Code where disclosures are required in the 2025/26 financial statements are as follows:

Amendments to FRS 102 (Amendments to Heritage assets)

The changes refine the definition of heritage assets and elements of how they should be accounted for, including recognition of assets acquired in non-exchange transactions. The Council owns some heritage assets. However, we do not expect these amendments to have any material impact on our accounts. This is because the Council remains of the view that these assets cannot be fairly valued so they are not included in the balance sheet, with the FRS 102 amendments not requiring any change to this approach.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

These amendments to accounting standards for financial instruments clarify aspects of when they should be derecognised as well as some smaller changes such as classification of those with Environmental, Social and Governance (ESG) features. The changes are focused on the financial services industry (the derecognition changes concentrate on the timing of electronic transfers) so we do not expect them to have any material impact on the accounts of a local authority.

Annual improvements to IFRS accounting standards – Volume 11

This volume of improvements only makes some very small changes which clarify parts of a few IFRS accounting standards relating to first time adoption of IFRS, financial instruments, consolidated financial statements and cash flows. We do not expect them to have any impact on our accounts.

Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

The changes to these accounting standards relate to some types of renewable energy electricity contracts. They are focused on elements of the power generation industry, so we do not expect them to have any material impact on the accounts of a local authority.



Fareham Old Town Quay

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.

* The 2025 MGC LLP accounts have been restated to present loans previously recognised at their nominal value at fair value. The 2024/25 Group CIES has therefore been restated for this change. Further information is available in the MGC LLP accounts which can be found at Companies House.

2024/25 restated *				2025/26			Note
Gross expenditure £'000	Gross Income £'000	Net expenditure £'000		Gross expenditure £'000	Gross Income £'000	Net expenditure £'000	
857,901	(332,191)	525,710	Adults' Health and Care	865,678	(320,149)	545,529	
1,495,750	(1,267,920)	227,830	Schools	1,626,567	(1,377,342)	249,225	
497,805	(98,512)	399,293	Children's Services Non-Schools	490,121	(81,226)	408,895	
296,279	(91,475)	204,804	Universal Services	303,323	(106,079)	197,244	
189,750	(69,026)	120,724	Corporate Services	175,338	(54,592)	120,746	
0	(885)	(885)	(Decrease)/Increase in Provisions	0	(1,418)	(1,418)	
13,845	(6,172)	7,673	Other items not allocated to services	18,339	(7,612)	10,727	
3,351,330	(1,866,181)	1,485,149	Cost of Services	3,479,366	(1,948,418)	1,530,948	
			Other operating expenditure				
240,685	(40,621)	200,064	(Gain)/Loss on disposal of assets	18,750	(19,245)	(495)	
26,655		26,655	Assets transferred to academy/foundation trust schools	11,831	0	11,831	
23,763	(39,767)	(16,004)	Total financing and investment income & expenditure	24,361	(71,795)	(47,434)	5
			Taxation and non-specific grant income				
	(199,414)		Non-ringfenced government grants		(221,330)		6
	(53,196)		Locally retained business rates		(62,589)		
	(830,871)		Council tax income		(871,381)		
	(129,449)		Capital grants and contributions		(155,606)		6
		(1,212,930)				(1,310,906)	
		482,934	(Surplus)/Deficit on the provision of services			183,944	11
		692	Share of (Surplus)/Deficit on Joint Venture			2,515	
		483,626	Group (Surplus)/Deficit			186,459	
	(30,569)		Net gains on revaluation of property, plant & equipment		(186,077)		3a
	(20,013)		Net actuarial (gain)/loss on pension fund assets and liabilities		82,832		24c
		(50,582)	Other Comprehensive (Income)/Expenditure			(103,245)	
		433,044	Total Comprehensive (Income)/Expenditure			83,214	

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Group Balance Sheet

31 March 2025 restated * £'000		31 March 2026 £'000	See note
4,536,236	Property, plant & equipment (PPE)	4,690,275	19
29,732	Investment property	30,889	20
151,066	Long-term investments	133,737	22
42,957	Long-term debtors	40,385	22c
22,640	Investment in Joint Venture	20,655	
77,395	Net asset related to defined benefit pension schemes	0	24f
4,860,026	Long-term assets	4,915,941	
4,625	Current assets held for sale	6,610	
139,603	Short-term investments	53,337	22
3,518	Inventories	2,892	
288,995	Short-term debtors	166,238	22d
18,471	Cash and cash equivalents	87,971	22a
455,212	Current assets	317,048	
(193,272)	Short-term Creditors	(167,447)	22h
(71,647)	Short-term borrowing	(75,254)	22e
(11,110)	Deferred liability repayable within one year	(12,544)	22i
(24,014)	Grants receipts in advance - revenue	(21,005)	6
(49,365)	Grants receipts in advance - capital	(57,188)	6
(349,408)	Current liabilities	(333,438)	
105,804	Net current assets/(liabilities)	(16,390)	
0	Net liability related to defined benefit pension schemes	(29,437)	24f
(24,350)	Provisions	(22,533)	23
(153,000)	Long-term borrowing	(143,000)	22e
(113,766)	Deferred liabilities	(111,637)	22i
(155,505)	Developers' contributions	(156,004)	22g
(446,621)	Long term liabilities	(462,611)	
4,519,209	Total net assets	4,436,940	
	Financed by:		
	Usable reserves		
(548,044)	General Fund and earmarked reserves	(554,086)	4
(213,373)	Capital grants unapplied reserve	(227,726)	4D
18	Share of Joint Venture usable reserves	2,533	
(761,399)	Usable reserves	(779,279)	
(3,757,810)	Unusable reserves	(3,657,661)	3
(4,519,209)	Total Reserves	(4,436,940)	

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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.

* The 2025 MGC LLP accounts have been restated to present loans previously recognised at their nominal value at fair value. The Group Balance Sheet at 31 March 2025 has therefore been restated for this change. Further information is available in the MGC LLP accounts which can be found at Companies House.

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Group Movement in Reserves Statement

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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.

* The 2025 MGC LLP accounts have been restated to present loans previously recognised at their nominal value at fair value. Therefore, the Group Movement in Reserves Statement for 2024/25, and subsequently the opening balance at 31 March 2025, have been restated for this change. Further information is available in the MGC LLP accounts which can be found at Companies House.

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	General Fund Balance (i) £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Share of Joint Venture Usable Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Note
Balance at 31 March 2024	(606,011)	0	(227,329)	0	(833,340)	(4,112,955)	(4,946,295)	
Adjustment to opening balance on consolidation into group accounts	0	0	0	667	667	0	667	
Balance at 1 April 2024	(606,011)	0	(227,329)	667	(832,673)	(4,112,955)	(4,945,628)	
(Surplus)/Deficit on the provision of services (restated *)	482,934	0	0	692	483,626	(50,582)	433,044	CIES
Adjustments between accounting basis & funding basis	(424,614)	0	18,887	0	(405,727)	405,727	0	2
Net transfers of reserves to other local authorities	(353)	0	(4,931)	0	(5,284)	0	(5,284)	
Adjustment to members capital contribution (restated *)	0	0	0	(1,341)	(1,341)	0	(1,341)	
(Increase) / decrease in Year	57,967	0	13,956	(649)	71,274	355,145	426,419	
Balance at 31 March 2025 (restated *)	(548,044)	0	(213,373)	18	(761,399)	(3,757,810)	(4,519,209)	
(i) includes earmarked reserves	(note 4)					(note 3)		
	General Fund Balance (i) £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Share of Joint Venture Usable Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Note
Balance at 31 March 2025	(548,044)	0	(213,373)	18	(761,399)	(3,757,810)	(4,519,209)	
(Surplus)/Deficit on the provision of services	183,944	0	0	2,515	186,459	(103,245)	83,214	CIES
Adjustments between accounting basis & funding basis	(189,863)	(6,706)	(6,825)	0	(203,394)	203,394	0	2
Net transfers of reserves to other local authorities	(123)	0	(822)	0	(945)	0	(945)	
(Increase) / decrease in Year	(6,042)	(6,706)	(7,647)	2,515	(17,880)	100,149	82,269	
Balance at 31 March 2026	(554,086)	(6,706)	(221,020)	2,533	(779,279)	(3,657,661)	(4,436,940)	
(i) includes earmarked reserves	(note 4)					(note 3)		

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.

* The 2025 MGC LLP accounts have been restated to present loans previously recognised at their nominal value at fair value. Therefore, the Group Cash Flow Statement for 2024/25 has been restated for this change. Further information is available in the MGC LLP accounts which can be found at Companies House.

2024/25 restated * £'000		2025/26 £'000	Note
483,626	Net (surplus) or deficit on the provision of services	186,459	
(531,603)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(326,928)	27a
168,455	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	173,182	27a
120,478	Net cash (inflow) or outflow from Operating Activities	32,713	
(82,992)	Investing Activities	(119,862)	27b
11,031	Financing Activities	17,649	27c
48,517	Net (increase) or decrease in cash and cash equivalents	(69,500)	
(66,988)	Cash and cash equivalents at the beginning of the reporting period	(18,471)	
(18,471)	Cash and cash equivalents at the end of the reporting period	(87,971)	22a

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Adjustments to cash flow for non-cash movements

* The 2025 MGC LLP accounts have been restated to present loans previously recognised at their nominal value at fair value. Therefore, the disclosure of adjustments to the Group Cash Flow for non-cash movements for 2024/25 has been restated for this change. Further information is available in the MGC LLP accounts which can be found at Companies House.

2024/25 restated * £'000	2025/26 £'000
<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements</u>	
(156,599) Depreciation	(160,498)
(19,392) Impairments and downward revaluations	(30,675)
(5,379) (Increase)/decrease in expected credit losses	(7,479)
80,931 (Increase)/decrease in creditors	48,528
(99,651) Increase/(decrease) in debtors	(122,089)
(1,047) Increase/(decrease) in inventory	(626)
(95,117) Movement in Pension Liability	(24,000)
(240,670) Carrying amount of non-current assets sold	(15,754)
(26,655) Carrying amount of assets transferred to academy / foundation Trust schools	(11,831)
(1,040) Adjustment for provisions	1,817
3,421 Movement in the value of investment properties and financial assets	2,288
(280) Property, plant & equipment (PPE) written off as revenue (REFCUS)	(3,673)
(2,223) Adjustments relating to financial instruments as per accounting standards	(708)
22,750 Deferred capital receipts credited to income	(330)
10,210 Adjustment for nominal leases on adoption of IFRS 16	617
(692) Removing share of Surplus/(Deficit) on Joint Venture	(2,515)
(170) Other adjustments	0
(531,603) Non-cash movement	(326,928)

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).

31 December 2024 restated*	Summarised Statement of Financial Position	31 December 2025
£'000		£'000
71,169	Current assets	71,048
0	Non-current assets	0
(9)	Current liabilities (i)	(20)
(25,879)	Non-current liabilities (ii)	(29,719)
45,281	Net assets	41,309

(i) Current liabilities is comprised of accruals.

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

31 December 2024 restated*	Summarised Statement of Comprehensive Income	31 December 2025
£'000		£'000
7	Revenue / Other income	10
(22)	Administrative expenses	(32)
(379)	Interest (net)	(1,839)
(394)	Loss before members' remuneration	(1,861)
(813)	Members' remuneration charged as expense	(2,327)
(176)	Finance expense	(841)
(1,383)	Loss for the year	(5,029)

31 December 2024 restated*	Other financial information	31 December 2025
£'000		£'000
147	Cash and cash equivalents included within current assets	46
0	Interest income	0
(379)	Interest expense	(1,839)
(176)	Finance expense	(841)

* The 2025 MGC LLP accounts have been restated to present loans previously recognised at their nominal value at fair value. Therefore the information at 31 December 2024 has been restated. Further information is available in the MGC LLP accounts which can be found at Companies House.



Titchfield Haven National Nature Reserve

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- To proceed through the accounts in order click your mouse or press the right arrow key  on your keyboard to move on to the next slide.
- To go back to a previous slide press the left arrow key on your keyboard. 
- Sections with more than one slide will indicate so, telling you which slide you are on and how many are within that section. 1/12, 4/6 etc
- This document can be viewed on computers, laptops and mobile devices
- Our finance team can be contacted at: budget@hants.gov.uk

- To navigate to particular sections of the accounts, use the index. Click on the desired section to be taken there.



The screenshot shows the 'Index' page of the Hampshire County Council accounts. It features a list of sections organized into two columns. The left column lists sections 1 through 11, and the right column lists sections 12 through 22. Each section is preceded by a small icon representing the section's theme (e.g., a crown for the Pension Fund Account, a building for Financial Instruments, etc.). The text is in a small, sans-serif font, and the page has a light blue background with a red horizontal line separating the header from the content.

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Pension Fund Account

Pension Fund Accounts

Fund Account	See note	2024/25 £'000	2025/26 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	248,529	263,149
Transfers in from other pension funds		37,599	33,397
		286,128	296,546
Benefits	8	(389,672)	(410,374)
Payments to and on account of leavers		(33,038)	(38,964)
		(422,710)	(449,338)
Net reduction from dealings with members		(136,582)	(152,792)
Management expenses	9	(103,358)	(84,246)
Net additions inc. fund management expenses		(239,940)	(237,038)
Returns on investments			
Investment income	10	285,970	260,031
Taxes on income		(716)	(6,727)
Profits and losses on disposal of investments and changes in the market value of investments	11a	207,359	561,318
Net return on investments		492,613	814,622
Net increase in the net assets available for benefits during the year		252,673	577,584

Net increase in the net assets available for benefits during the year

	252,673	577,584
Opening net assets of the scheme	9,963,099	10,215,772
Closing net assets of the scheme	10,215,772	10,793,356

Net Assets Statement for the year ending 31 March 2026

	31 March 2025	31 March 2026
	£'000	£'000
Investment assets	9,942,724	10,582,409
Cash deposits	247,668	187,773
Investment liabilities	(21)	(5,421)
Total net investments	11 10,190,371	10,764,761
Current assets	18 36,221	36,301
Current liabilities	19 (10,820)	(7,706)
Net assets of the Fund available to fund benefits at the period end	10,215,772	10,793,356

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 2025/26 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 429 employer organisations within the Hampshire Pension Fund including the County Council itself, as detailed below:

Hampshire Pension Fund	31 March 2025	31 March 2026
Number of employers with active members	402	429
Number of employees in Scheme		
County Council	27,894	26,188
Other employers	33,948	34,797
Total	61,842	60,985
Number of pensioners		
County Council	26,789	28,171
Other employers	31,488	33,157
Total	58,277	61,328
Deferred pensioners		
County Council	45,636	45,508
Other employers	46,448	46,874
Total	92,084	92,382
Total members in the Pension Fund	212,203	214,695

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 2026. Employee contributions are matched by employers' contributions. For the year ending 31 March 2026 employer contribution rates were set by the Fund Actuary based on the Actuarial Valuation as at 31 March 2022, and 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, ill health 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 2025/26 financial year and its position at year end at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 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 its 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 66.7% of the Fund's investments can be converted into cash within 3 months.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

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

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

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

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

b) Transfers to and from other schemes

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

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

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

c) Investment income

- i) Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iv) Rental income from operating leases on properties owned by the Fund is recognised in the fund account when it is paid by the tenant according to the terms of the lease.

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

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

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, or subsequent receipt of the investment manager's invoice, is included in the Fund account. In 2025/26 £3.3million of such fees were recorded (2024/25 £4.7 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).

3. Summary of Significant Accounting Policies

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 investments

It is important to recognise the subjective nature of determining the fair value of alternative investments: private equity, infrastructure, timberland, private debt and some pooled property funds. 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 £889 million and infrastructure investments was £1,128 million at 31 March 2026 (£880 million and £1,024 million at 31 March 2025).

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 were valued at £134 million at 31 March 2026 (£96 million at 31 March 2025).

There is no standard for the valuation of private debt, but most general partners of private debt funds will base their valuations on a third party valuer, such as Duff & Phelps. The value of unquoted private debt investments at 31 March 2026 was £509 million (£474 million at 31 March 2025).

Pooled property funds are valued in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards). The value of pooled property funds where bid and offer, or single price are not available at 31 March 2026 was £32 million (£0 million at 31 March 2025).

Pension fund liability

The pension fund's 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 113 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 a number of companies that it owns that have been specifically created to hold the Pension Fund's investments. These companies have no other purpose and therefore the value of the companies is equal to value of the investments.

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

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

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

The items in the Net Assets Statement and Notes to the Accounts at 31 March 2026 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 0.1% decrease in the discount rate assumption would result in a decrease in the pension liability of approximately £130 million. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £6 million, and a one-year increase in assumed life expectancy would increase the liability by approximately £344 million.
Alternative investments - Private equity (Note 13)	Private equity investments are valued at fair value in accordance with the <i>International Private Equity Venture Capital Valuation Guidelines</i> . 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 £889 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£89m)

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 <i>International Private Equity Venture Capital Valuation Guidelines</i> . 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 £1,128 million. The investment manager recommends a tolerance of 10% around the net asset value (+/-£113m)
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 timberland investments in the financial statements are £134 million. The investment managers recommend a tolerance of 10% around the net asset value (+/-£13m)
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 third party valuer, such as <i>Duff & Phelps</i> . 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 £509 million. The investment manager recommends a tolerance of 5% around the net asset value (+/-£25m)
Pooled investments – Property funds (Note 13)	Real estate investments are valued at fair value in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards). These investments are not publicly listed and as such there is a degree of estimation in the valuation.	The total level 3 pooled property fund investments in the financial statements are £32 million. The investment managers recommends a tolerance of 10% around the net asset value (+/-£3m)

6. Events after the Reporting Date

On 1 April 2026 the pension fund became a shareholder of the investment pool LGPS Central and signed a Client Agreement with the pool. In accordance with the LGPS (Pooling, Management and Investment of Funds) Regulations (in draft as of 31 March 2026) LGPS Central has taken responsibility for the management of the pension fund's investments as of 1 April 2026. This does not change the valuation of any of the investments reported in these accounts.

7. Contributions Receivable

By category

	2024/25 £'000	2025/26 £'000
Employees' contributions	94,180	99,223
Employers' contributions		
Normal contributions	152,209	162,784
Deficit recovery contributions	2,140	1,142
Total employers' contributions	154,349	163,926
Total contributions receivable	248,529	263,149

By type of employer

	2024/25 £'000	2025/26 £'000
Administering authority	50,070	47,055
Scheduled bodies	189,833	203,434
Admitted bodies	8,626	12,660
Total	248,529	263,149

8. Benefits Payable

By category

	2024/25 £'000	2025/26 £'000
Pensions	311,208	328,961
Commutation and lump sum retirement benefits	69,415	71,829
Lump sum death benefits	9,049	9,584
Total	389,672	410,374

By type of employer

	2024/25 £'000	2025/26 £'000
Administering authority	147,961	152,156
Scheduled bodies	222,384	236,935
Admitted bodies	19,327	21,283
Total	389,672	410,374

9. Management Expenses

	2024/25 £'000	2025/26 £'000
Administrative costs	3,270	3,256
Investment management expenses	98,822	79,497
Oversight and governance costs	1,266	1,493
Total	103,358	84,246

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

2025/26	Management fees £000	Performance fees £000	Transaction costs £000	Total £000
Bonds	0	0	0	0
Equities	0	0	0	0
Pooled investments*	13,895	0	5,080	18,975
Pooled property investments	44	0	0	44
Property*	3,048	0	6,705	9,753
Alternatives*	31,967	18,471	0	50,438
Cash	0	0	20	20
	48,954	18,471	11,805	79,230
Custody and other investment costs				267
Total				79,497

*includes £28.263m paid as part of the ACCESS pool

2024/25	Management fees £000	Performance fees £000	Transaction costs £000	Total £000
Bonds	0	0	0	0
Equities	0	0	0	0
Pooled investments*	13,970	0	1,950	15,920
Pooled property investments	0	0	0	0
Property*	1,535	0	6,569	8,104
Alternatives*	59,992	0	14,632	74,624
Cash	0	0	11	11
	75,497	0	23,162	98,659
Custody and other investment costs				163
Total				98,822

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

10. Investment Income

	2024/25 £'000	2025/26 £'000
Pooled property investments	5,808	7,168
Pooled investments – unit trusts and other managed funds	133,967	125,322
Rents from property	36,066	41,049
Interest on cash deposits	5,954	8,022
Alternative investment income	103,839	77,800
Stock lending	0	86
Other	336	584
Total before taxes	285,970	260,031

11. Investments

	Market value 31 Mar 2025 £'000	Market value 31 Mar 2026 £'000
Investment Assets		
Pooled funds		
- Fixed income unit trusts	3,143,681	3,283,100
- Unit trusts	3,394,004	3,714,147
	6,537,685	6,997,247
Other investments		
Pooled property investments	149,668	164,628
Alternative investments	2,474,372	2,659,032
Property	780,488	761,450
Derivative contracts:		
- Forward currency contracts	489	(5,369)
	3,405,017	3,579,741
Cash deposits	247,669	187,761
Pending foreign exchange transactions	0	12
Net investment assets	10,190,371	10,764,761



11a) Reconciliation of Movements in Investments and Derivatives

Period 2025/26	Market value	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value
	1 April 2025				31 Mar 2026
	£'000	£'000	£'000	£'000	£'000
Equities	0	0	0	0	0
Pooled investments	6,537,685	104,119	(8,025)	363,468	6,997,247
Pooled property investments	149,669	13,967	(857)	1,849	164,628
Alternative investments	2,474,372	406,911	(397,430)	175,179	2,659,032
Property	780,487	3,030	(36,810)	14,743	761,450
	9,942,213	528,027	(443,122)	555,239	10,582,357
Derivative contracts:					
- Forward foreign exchange	489	12,033	(23,363)	5,472	(5,369)
	489	12,033	(23,363)	5,472	(5,369)
Other investment balances:					
- Cash deposits	247,590			1,093	187,744
- Spot foreign exchange contracts	0			(486)	12
- Investment income due	79			0	17
Net investment assets	10,190,371			561,318	10,764,761

Period 2024/25	Market value	Purchases and derivative payments	Sales and derivative receipts	Change in value during the year	Market value
	1 April 2024				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

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

11b) Investments Analysed by Fund Manager

	Market value 31 March 2025 £'000		Market value 31 March 2026 £'000	
		%		%
Investments part of the ACCESS pool				
ACCESS Pooled investments managed by Waystone				
Acadian	589,954	5.7	608,388	5.6
Alcentra	526,456	5.2	511,885	4.7
Baillie Gifford	610,270	6.0	625,164	5.8
Bluebay	406,907	4.0	410,011	3.8
Dodge & Cox	607,255	5.8	676,018	6.3
Fidelity	462,093	4.5	459,636	4.3
Robeco	548,642	5.4	611,975	5.7
Twenty-four Asset Management	242,501	2.4	244,022	2.3
ACCESS Pooled investments managed by UBS	2,522,824	24.7	2,839,680	26.4
CBRE Global Investors	930,379	9.1	911,477	8.4
Campbell Global	67,689	0.7	90,944	0.8
LGIM	0	0.0	14,600	0.1
Stafford Capital Partners	28,630	0.3	43,463	0.4
	7,543,600	73.8	8,047,263	74.6
Investments held outside of the ACCESS pool				
Patria	909,202	8.9	898,370	8.3
Barings	20,784	0.2	10,468	0.1
GCM Grosvenor	1,038,935	10.2	1,138,379	10.5
JP Morgan Alternative Asset Management	480,407	4.7	508,037	4.7
	2,449,328	24.0	2,555,254	23.6
Other net assets	222,844	2.2	190,839	1.8
Total	10,215,772	100.0	10,793,356	100.0

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

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

11c) Property Holdings

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

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

	Year ending 31 March 2025 £'000	Year ending 31 March 2026 £'000
Within one year	37,980	38,770
Between one and five years	119,792	112,575
Later than five years	225,563	230,713
Total future lease payments due under existing contracts	383,335	382,058

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.

12. Analysis of Derivatives

At 31 March 2026, the Fund had open forward currency contracts in place with a net unrealised loss of £5.37 million.

Settlements	Currency bought	Local value '000	Currency sold*	Local value '000	Asset value £'000	Liability value £'000
1 to 6 months	GBP	322,832	USD	(432,157)	0	(4,960)
1 to 6 months	GBP	54,430	EUR	(62,594)	0	(461)
1 to 6 months	EUR	673	GBP	(584)	6	0
1 to 6 months	USD	6,918	GBP	(5,202)	46	0
Open forward currency contracts at 31 March 2026					52	(5,421)
Net forward currency contracts at 31 March 2026						(5,369)

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

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

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
Exchange traded pooled investments	1	Closing bid value on published exchanges	Not required	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 bid price where bid and offer prices are published, closing single price where single price is published.	NAV-based pricing set on forward pricing basis	Not required
Pooled investments – property funds	3	Valued at fair value in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards).	Market rents and rental growth assumptions	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 (for example, significant changes in rental growth, vacancy levels or discount rate), and by any differences between audited and unaudited accounts.
			Comparable sales and pricing evidence	
			Discount rates / yields	
			Vacancy and bad debt	
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	Tenant covenant strength	Not required
			Exit values	
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

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	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
			Revenue multiple	
			Discount for lack of marketability	
			Control premium	
			Loan to value multiple	
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	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
			Log price	

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 2026.

	Assessed valuation range (+/-)	Value at 31 March 2026 £'000	Value on increase £'000	Value on decrease £'000
Alternative Investments - Private debt	5%	508,972	534,420	483,523
Alternative Investments - Infrastructure	10%	1,127,708	1,240,479	1,014,937
Alternative Investments - Private equity	10%	888,689	977,558	799,820
Alternative Investments - Timberland	10%	133,663	147,030	120,297
Pooled Investments - property funds	10%	32,498	35,748	29,248

13. Fair Value – Basis of Valuation

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.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2026	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	6,474,894	654,534	2,691,531	9,820,959
Non-financial assets at fair value through profit and loss	0	761,450	0	761,450
Financial liabilities at fair value through profit and loss	0	(5,421)	0	(5,421)
Net investment assets	6,474,894	1,410,563	2,691,531	10,576,988

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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

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

13. Fair Value – Basis of Valuation

13b) Transfers between Levels 2 and 3

During the year, there were transfers of investments between Level 2 and Level 3 of the fair value hierarchy.

Transfers from Level 2 to Level 3 totalled £19.5 million and related to pooled property investments where, due to further investments being made during 2025-26 with more expected in future years, the total invested is recognised as more material to the financial statements of the Pension Fund.

There were no transfers from Level 3 to Level 2 during the financial year.

13c) Reconciliations of Fair Value Measurements within Level 3

	Alternative investments £'000	Pooled property £'000	Total £'000
Value at 31 March 2026	2,474,372	0	2,474,372
Transfers in	0	19,509	19,509
Transfers out	0	0	0
Purchases and derivative payments	406,911	13,968	420,879
Sales and derivative receipts	(397,430)	(857)	(398,287)
Change in market value during the year	175,179	(122)	175,057
Value at 31 March 2026	2,659,032	32,498	2,691,530

	Alternative investments £'000	Pooled property £'000	Total £'000
Value at 31 March 2025	2,146,677	0	2,146,677
Transfers in	0		0
Transfers out	0		0
Purchases and derivative payments	529,356	0	529,356
Sales and derivative receipts	(292,611)	0	(292,611)
Change in market value during the year	90,950	0	90,950
Value at 31 March 2025	2,474,372	0	2,474,372

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 2025			31 March 2026		
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					
6,537,685			6,997,247		
149,668			164,628		
2,474,372			2,659,032		
510			52		
128,540	119,128		115,860	71,912	
	10,946			10,008	
9,290,775	130,074	0	9,936,819	81,920	0
Financial liabilities					
(21)			(5,421)		
		(6,304)			(3,508)
(21)	0	(6,304)	(5,421)	0	(3,508)
9,290,754	130,074	(6,304)	9,931,398	81,920	(3,508)

14b) Net gains and losses on financial instruments

31 March 2025 £'000	31 March 2026 £'000
Financial assets	
180,441	541,103
Financial liabilities	
7,610	5,472
188,051	546,575
Total	

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

15. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

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

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

15a) Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

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 2025/26 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	11.37%
UK bonds	10.48%
Overseas bonds	8.02%
Property	2.18%
Alternative investments	4.32%
Cash	0.40%

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 based on the prior year market movements is shown below):

Asset type	Value at Potential market 31 March movement £'000	Value on increase £'000	Value on decrease £'000
Total assets 2026	10,764,761	873,229	11,637,990
Total assets 2025	10,190,371	1,024,799	9,165,572

15. Nature and Extent of Risks Arising from Financial Instruments

Asset type	Value at	Potential market	Value on increase	Value on
	movement		decrease	
	31 March 2026			
	£'000	£'000	£'000	£'000
Global Equities	3,714,147	422,415	4,136,562	3,291,732
UK bonds	2,106,714	220,809	2,327,523	1,885,905
Overseas bonds	1,176,386	94,327	1,270,713	1,082,059
Property	926,078	20,188	946,266	905,890
Alternatives	2,653,663	114,732	2,768,395	2,538,931
Cash	187,773	758	188,531	187,015
Total assets	10,764,761	873,229	11,637,990	9,891,532

Asset type	Value at	Potential market	Value on increase	Value on
	movement		decrease	
	31 March 2025			
	£'000	£'000	£'000	£'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

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 2026 and 31 March 2025 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 2026	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash & cash equivalents	398	0	398	398
Cash deposits	187,773	0	187,773	187,773
Total	188,171	0	188,171	188,171

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

Income exposed to interest rate risk	Amount receivable as at 31 March 2026	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits / cash & cash equivalents	8,022	2,181	10,203	5,841
Total	8,022	2,181	10,203	5,841

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

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 5.4% (as measured by one standard deviation).

A 5.4% 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 5.4% 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 Potential market		Value on	Value on
	31 March movement		increase	decrease
	£'000	£'000	£'000	£'000
Total assets 2026	5,872,668	319,375	6,192,043	5,553,293
Total assets 2025	5,394,798	380,583	5,775,381	5,014,215

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 2026 was £153.44 million (31 March 2025: £197.55 million). This was held with the following institutions:

	Rating as at 31 March 2026	Balance as at 31 March 2025	Balance as at 31 March 2026
		£'000	£'000
Money market funds			
Aberdeen (formerly abrdn)	AAA _m	18,700	15,640
Blackrock	AAA _m	14,370	15,640
DWS	AAA _m	15,140	14,740
Federated Hermes	AAA _m	12,230	12,610
Goldman Sachs	AAA _m	11,680	10,100
Insight	AAA _m	18,700	10,540
Northern Trust	AAA _m	23,280	10,950
JP Morgan	AAA _m	14,440	10,000
Royal London	AAA _m	0	15,640
Bank deposits			
Lloyds	A+	7,500	5,070
NatWest	A+	10	10
Handelsbanken	AA-	10,000	5,000
Local authority loans		21,500	27,500
UK Treasury bills		30,000	0
Total		197,550	153,440

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 2026 the value of illiquid assets was £3,585 million, which represented 33.3% of the total fund assets (31 March 2025: £3,405 million, which represented 33.4% 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 2026 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.

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 2025 and the results are published on the Pension Fund's website [hampshirepensionfund-2025-valuationreport.pdf](#). The next valuation will take place at 31 March 2028.

The funding valuation is prepared with regard to the latest version of the Fund's Funding Strategy Statement (FSS) which is also available on the Pension Fund's website. The FSS outlines the Fund's key funding objectives which 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.

In setting employer contributions, three key decisions are made:

Decision 1:

What is the target funding level (how much money the Fund aims to hold) and funding basis (the set of actuarial assumptions used to value the past and future liabilities)?

Decision 2:

What is the funding time horizon (the time given to employers to meet or sustain the target funding level)?

Decision 3:

What is the likelihood of success (how likely it is that employers will meet or sustain the target funding level at the end of the funding time horizon)?

The funding decisions at the 2025 valuation varied between employers within the Fund and are documented in the Funding Strategy Statement.

At the 2025 actuarial valuation, the Fund was assessed as 129% funded (107% at the March 2022 valuation). This corresponded to a surplus of £2,325 million (2022 valuation: £637 million surplus) at that time. The aggregate employer contributions were certified as 15.5% of Pensionable Pay. 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.

16. Funding Arrangements

Contribution schedules for the period to 31 March 2029 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; and the covenant of the employer, and take into account the recovery of any surplus or deficiency relating to their participation over an appropriate period.

The valuation of the Fund has been undertaken using the projected unit method, under which the salary for each member is assumed to increase by 3.3% p.a. until they leave active service by death, retirement or withdrawal from service.

Financial assumptions

Full details of the assumptions used by the Fund's actuary are set out in the 2025 actuarial valuation report.

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 ongoing employers at the March 2025 actuarial valuation were as follows:

Financial assumption	% p.a.
Pension Increase Rate (CPI)	2.3%
Salary Increase Rate	3.3%
Discount Rate	5.9%

Demographic assumptions:

The Fund makes an assumption on future longevity based on information from the base tables supplied by Club Vita and latest available actuarial Continuous Mortality Investigation (CMI) tables. Based on the adopted assumptions, the average future life expectancies for the Fund's membership at 31 March 2025 at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	24.5 years
Future pensioners (assumed to be aged 45)	22.5 years	25.8 years

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 the triennial funding valuation that is 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 2025 was £8,592 million (31 March 2022: £13,000 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 2025 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 2025 IAS 19 calculation were:

Financial assumption	% p.a.
Pension Increase Rate (CPI)	2.75%
Salary Increase Rate	3.75%
Discount Rate	5.80%

18. Current Assets

	31 March 2025	31 March 2026
	£'000	£'000
Debtors:		
- Contributions due - employees	1,785	720
- Contributions due - employers	20,508	22,230
- Transfer values receivable (joiners)	0	0
- Tax	2,548	2,945
- Sundry debtors	10,946	10,008
Cash balances	434	398
Total	36,221	36,301
Analysis of debtors		
	31 March 2025	31 March 2026
	£'000	£'000
Central government bodies	6,484	6,545
Other local authorities	13,876	15,582
Other entities and individuals	15,427	13,776
Total	35,787	35,903

19. Current Liabilities

	31 March 2025	31 March 2026
	£'000	£'000
Sundry creditors	6,303	3,508
Transfer values payable (leavers)	0	0
Benefits payable	2,157	1,329
Tax	2,360	2,869
Total	10,820	7,706
Analysis of creditors		
	31 March 2025	31 March 2026
	£'000	£'000
Central government bodies	2	2,869
Other local authorities	2,232	1,121
Other entities and individuals	8,586	3,716
Total	10,820	7,706

20. Additional Voluntary Contributions

	Market value 31 March 2025 £'000	Market value 31 March 2026 £'000
Prudential	32,877	40,315
Zurich	2,524	2,407
Utmost	585	494
Total	35,986	43,216

During the year, AVCs of £9.522 million were paid directly to Prudential (2024/25: £ 8.119 million) and £0.002 million to Utmost (2024/25: £0.002 million). No contributions were paid to Zurich which closed to new contributions in 2021/22.

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 £47.055 million to the Fund in 2025/26 (2024/25 £50.070 million).

During the reporting period, the County Council incurred costs of £4.151 million (2024/25: £4.117 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 2026 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 Deputy Director of Corporate Operations. 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 2026, the Fund had an average cash balance of £186.767 million (year to 31 March 2025: £94.843 million), earning interest of £8.022million (2024/25 £5.954 million) on these funds.

22. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2026 totalled £1,104.244 million (31 March 2025: £805.964 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. For the first time in the 2025 Actuarial Valuation, the pension fund's actuary has estimated the value of liabilities associated with McCloud - an increase in liabilities of £21m. In prior years, before it could be estimated, the fund had reported its future McCloud liability as a contingent liability, but now these have been valued and included with the fund's overall liability in its Actuarial Valuation they will not be reported separately in future.



Calshot Activities Centre

Annual Governance Statement

The Annual Governance Statement was still at the draft stage when these draft accounts were published, so has not yet been signed. The finalised, signed version will be included when the audited accounts are published.

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.

During 2025/26, the County Council has continued to operate in a context of significant national policy change, including the development of proposals for Local Government Reorganisation (LGR) and Devolution.

On March 25 2026, Steve Reed OBE MP, Secretary of State for Housing, Communities & Local Government the Secretary of State, informed the 15 councils across the Hampshire and Solent area of his decision in relation to Local Government Reorganisation, for a 5 unitary model; the decision confirmed that 4 new unitaries would be created as set out below (with the Isle of Wight remaining unchanged as the 5th unitary):

- North Hampshire Council (current local government areas of Basingstoke and Deane, Hart and Rushmoor)
- Mid Hampshire Council (current local government areas of East Hampshire, New Forest, Test Valley and Winchester, less 11 parishes from all 4 areas)
- South East Hampshire Council (current local government areas from East Hampshire, Fareham, Gosport, Havant, Portsmouth, 3 parishes from East Hampshire and 1 parish from Winchester)
- South West Hampshire Council (current local government areas of Eastleigh, 4 parishes from New Forest, Southampton and 3 parishes from Test Valley)

In the knowledge that a decision on LGR was anticipated before the end of 2025/26 this informed the Council's approach to governance, risk management, decision-making discipline and organisational preparedness.

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 2025-2026.

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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 2026 and up to the date of approval of the annual report and the statement of accounts.

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

[Code of Corporate Governance](#)

3. Core Principles of good governance

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

3.1.1 The County Council's Constitution is 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 2025-26. 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 The County Council continues to embed a culture of inclusivity and diversity and respectfulness within our workforce and the services we provide. Established policies and frameworks ensure that equality considerations - such as reasonable adjustments, occupational health and flexible working, and recruitment schemes like Disability Confident (valid until October 2027) - are embedded into our business-as-usual practices, and clear expectations are set that EID is part of every manager's role. Corporate eLearning ensures that all staff understand and can comply with duties under the Equality Act.

Annual Governance Statement

3.1.5 In addition, the County Council also has several staff network groups which play key roles in this space across the organisation, and the Deputy Chief Executive & Director People and Organisation meets regularly with the formal network groups, helping to shape and drive their focus.

3.1.6 The Council has been mindful of the importance of maintaining clear accountability, appropriate separation of roles, and adherence to statutory responsibilities during a period of potential organisational change associated with Local Government Reorganisation and devolution. Advice from Legal Services and Governance has continued to play a central role in supporting Members and officers to navigate emerging proposals while ensuring that all decisions taken remain lawful and transparent.

3.1.7 Key decisions are taken in line with the Constitution and delegated authority arrangements, supported by clear officer advice and appropriately recorded to ensure transparency, accountability and an audit trail.

3.1.8 The Council demonstrates its strong stewardship of public funds through robust budget setting, in-year financial monitoring and effective internal controls, ensuring resources are used lawfully and in accordance with approved priorities.

3.1.9 The Council also maintains sound information governance arrangements, including effective records management and data protection compliance, to ensure information is handled securely, lawfully and transparently.

3.2 Ensuring openness and comprehensive stakeholder engagement.

3.2.1 The County Council's Strategic Plan – *Your Hampshire, for today and tomorrow* – contains clear strategic commitments to the residents of Hampshire. The plan is communicated on the County Council's website and through various other communication channels and strategies.

1 Keeping you healthy, well and independent

2 Giving your communities the best chance to thrive

3 Keeping you, your families, and friends safe

4 Providing innovative services, you need and value

3.2.2 The current plan was refreshed in 2025 (informed by various, directorate, and partnership strategies and priorities) and covers the three-year period 2025 to 2028. Four key commitments are included in the plan, providing a clear framework that underpins the council's future strategy development, decision making, and service planning. The plan was agreed by Cabinet in and County Council in November 2025.

3.2.3 The four commitments made in the new plan are underpinned by the 'Hampshire Pledge' which was launched earlier in the year. Together these two documents outline 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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3.2.4 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 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. As noted in the 2024/25 Annual Governance Statement, an internal audit was undertaken during 2024 in respect of 'Meeting publications', which sought to assess the effectiveness of the controls in place. This audit provided a substantial assurance opinion noting that "a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied".

3.2.5 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 Policy and Public Affairs service within the People and Organisation directorate, which operates within the Market Research Society's ethical Code of Conduct.

3.2.6 The results of all significant consultations are presented at the relevant decision-making forum to demonstrate how participants' views have been considered, with final consultation reports published on the Council's website.

3.2.7 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 who support engagement with seldom heard communities on a number of Public Health priorities as well as supporting varied co- production forums for people who draw on care and support.

3.2.8 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.

3.2.9 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.

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3.2.10 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.

3.2.11 The County Council's Complaints Policy aligns with the Local Government and Social Care Ombudsman's Complaint Handling Code. The Council's approach to Zero Tolerance is clearly set out in its Zero Tolerance Statement, and this is also supported through a separate Unacceptable Actions by Customers Policy. Both policies provide a robust mechanism and processes through which to resolve complaints, and to protect staff from unreasonable behaviour, in line with the LGSCO's guidance on 'Managing Unreasonable Actions by Complainants: A guide for organisations'.

3.2.12 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. As 2025/26 was a valuation year, the draft valuation outcomes were also shared at the Annual Employers Meeting held on 21 October 2026. There was a separate consultation with employers on the Funding Strategy Statement. The Investment Strategy Statement is published and made available to scheme employers within three months of any amendments.

Annual benefit statements are provided to contributors and deferred pensioners by 31st August each year. The fund also provides an annual newsletter to pensioners and for Active and Deferred members each April.

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

3.3.1 The Strategic Plan, Your Hampshire, for today and tomorrow, outlines the County Council's overarching commitments which give our communities the best change to thrive, and to support positive economic, social and environmental outcomes for Hampshire. These commitments are supported by other detailed directorate plans and strategies. Progress against the commitments contained in the plan 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 Your Hampshire, for today and tomorrow 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 Your Hampshire, for today and tomorrow 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 commitments set out within the Strategic Plan.

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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.

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'. During 2025/26 the Pension Fund surveyed members on their priorities for responsible investment, the outcomes of which were reported to the Pension Fund Panel and Board Responsible Investment Sub-Committee in September 2025.

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 provides input and supports the Panel and Board on the management of the Pension Fund, including 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 (with regard to residents, service users and our workforce) and to inform decision making.

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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 2026/27 Local Government Settlement provided a three-year settlement for Local Government. This is helpful in terms of planning, but the outcomes of the settlement mean that the council will see an incremental increasing reduction in funding each year, which sees a per annum reduction in funding of £42m by year 3 of the settlement period.

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 an annual corporate risk report provided by the Chair of the Risk Management Steering Group.

3.4.9 In addition to the annual risk report, a full annual review of the 'Corporate Strategic Risk' register is also undertaken with the Corporate Management Team, 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 2025, work has continued with each of the risk owners to understand how they continue to gain 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 2025 and January 2026, respectively.

3.4.11 The Council's Strategic Asset Management Plan (SAMP) 2023–2028 provides the overarching policy framework for how land and buildings are planned, managed, invested in, repurposed and disposed of. The Council's approach to the management of its estate is underpinned by a consistent set of principles, embedded through the SAMP and reinforced through governance processes. Assets are managed in the interests of the organisation as a whole with decisions supported by relevant data, options appraisals and business cases.

3.4.12 To support consistent and transparent asset decisions, the Council has strengthened its governance arrangements for land and property assets.

3.4.13 The Corporate Land and Assets Board (CL&AB) provides senior officer oversight, challenge and coordination of strategic asset matters across the organisation, ensuring alignment between asset decisions, service transformation and organisational change, and financial strategy and capital planning.

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3.4.14 Defined Executive Member and officer delegations for land and asset transactions ensure that decisions are taken at the appropriate level and in line with the Constitution and SAMP principles.

3.4.15 This framework provides a coherent, corporate approach to managing the Council's property estate.

3.4.16 The Reading Hampshire Property Partnership Limited (RHPP) was a public-to-public partnership arrangement between Hampshire County Council (HCC) and Reading Borough Council (RBC) for the delivery of property related services. Since the last AGS, the RHPP has been dissolved, and the bank accounts have been closed. Run off insurance for the activities of the company is in the process of being arranged.

3.4.17 The County Council entered into 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.

3.4.18 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. In October 2024, following complex negotiations the MGC LLP acquired the freehold for the Manydown North development site.

3.4.19 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.

3.4.20 For the MGC LLP, there is one Elected Member and 2 Senior Officer representatives (plus approved substitutes). For the MDV LLP, the County Council's interests (on behalf of MGC) are represented by the same 2 Senior officers, 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.

3.4.21 The MGC LLP and MDV LLP accounts are separately audited and reported to Companies House. The Business Plan(s) for both MGC LLP and MDV LLP have been reported to the County Council's Leader and Executive Member for Hampshire 2050 and Corporate Services for approval. The performance of the Manydown North JV arrangements is reported annually to CMT and the Executive Member, in line with internal audit recommendations.

3.4.22 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 Deputy Chief Executive & 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.

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3.4.23 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.

3.4.24 As previously reported, 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 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'.

3.4.25 The current agreement with Connect2Hampshire is for six years, with an option to continue this for up to a further four years. As noted previously, a strategic review was completed in 2024/25 of the joint venture partnership agreement, which confirmed 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 an established 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 oversees all member training matters, including 'induction' and 'member briefings'. The County Council's Member Induction Programme is well established, and work has commenced with the Corporate Management Team to shape the programme ready for the May 2026 elections taking place.

3.5.3 The induction programme builds on the established monthly Member Briefing Programme which continues to be well received by Members. This more regular briefing 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.

3.5.4 The Briefing 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.

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3.5.5 During 2025/26, Member development and briefing activity has included regular updates on Local Government Reorganisation and devolution, supporting Members to understand emerging policy direction, potential implications, and their statutory roles within any future arrangements. This has been complemented by leadership development and organisational design work intended to ensure the Council remains resilient, adaptable and well-governed in the face of potential structural change.

3.5.6 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.

3.5.7 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 an external modular based training provided via a portal provided by our Actuary Hymans Robertson.

3.5.8 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.

3.5.9 To align with the 2022 CIPFA Audit Committees: Practical Guidance for Local Authorities and Police, the County Council began developing a targeted training programme for the Audit Committee, informed by a self assessment survey covering CIPFA's core competency areas. The Committee agreed to pause this work until after the May 2026 elections due to expected changes in membership.

3.5.10 Following the elections, a revised training needs assessment will be considered for inclusion in the Members' Development Programme, ensuring any CIPFA related knowledge gaps inform the Committee's future development plan. In the meantime, members continued to receive planned Autumn 2025 briefings on the HCC Statement of Accounts and treasury management.

3.5.11 The County Council continues to regularly review the shape of its workforce against the needs of services 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. Work is underway to produce a high-level workforce strategy for HCC as a whole, with an intention to finalise this in Summer 2026.

3.5.12 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. Initiatives to help overcome these challenges across the wider organisation are prioritised, led and governed through the Corporate Management Team.

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3.5.13 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 was launched which standardises the approach across the whole organisation. This new framework underpins and further strengthens 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. Completed lessons learned reviews of 2025 have been filed and shared with all members of the Chief Officer's Group (and wider if appropriate) to ensure lessons are shared across the whole organisation.

3.5.14 Work, led by the Corporate Management Team, has continued throughout 2025/26 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 through our Corporate Management Team of the County Council as a whole. The organisation's existing shared vision, values and expected behaviours has provided clear purpose and direction to the Council's workforce, underpinning what we are here to do, and how we will work to achieve this.

3.5.15 Building on the early stages of our 'Fit for the Future' journey, and following the appointment of the current Chief Executive in August 2025, a further review has been undertaken of our high-level organisational model to ensure that it remains aligned with the Council's future organisational priorities, and supporting our preparedness for the wider changes associated with LGR and Devolution. Taking an organisational design approach, this review focused on the previously agreed 'organisational' principles, together with a series of clear restructure objectives and ambitions, which further shaped, designed and developed the County Council's operating model, and the supporting structures of the most senior leadership roles of Directors, Deputy Directors and Assistant Directors (the Chief Officer Group).

3.5.16 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.

3.5.17 The Council is currently updating our approach to management and leadership development, with particular consideration being given to how LGR needs to shape and drive our focus. A set of design principles are proposed that align leadership and management development priorities with organisational goals, continued use of the apprenticeship levy, leveraging AI to access best practice and a stronger emphasis on sparking a desire to develop leadership behaviours and building learners' skill to critically analyse. Subject to CMT approval, the revised approach will be implemented by the end of 2026. Further work is also underway to respond to changes in the apprenticeship funding rules. The leadership approach is underpinned by a Leadership and Management Behavioral framework, together with a Leadership apprenticeship programme.

3.5.18 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. It is proposed that the current Leadership and Management development priorities are the application of core management best practices, managing in uncertainty, collaborative leadership and fostering innovation. These priorities contribute to our One Organisation culture and delivery of HCC's Strategic Plan.

3.5.19 Organisational development is delivered through a range of means led by both Corporate and Directorate Management teams as appropriate.

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3.5.20 There is a continued emphasis on the need for high performance and resilience. Work has progressed during 2025/26 to define the 'role of the manager' setting clear expectations of a people manager and building a shared understanding of what great management looks like, and to inspire a desire to lead with purpose, empathy, and accountability.

3.5.21 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.

3.5.22 Health and Wellbeing continues to be a key focus for the Corporate Management Team, Directors and their DMTs, and forms part of regular discussions at team meetings across the organisation.

3.5.23 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.

3.5.24 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.

3.5.25 To support the wellbeing of workforce, in 2025/26 we introduced Workplace Health Checks, offering an evidence-based approach to early detection of cardiovascular risk factors, diabetes, and other preventable conditions. By introducing these checks across multiple sites, we aim to reduce sickness absence, improve productivity and engagement, and demonstrate our commitment to equity and care, all of which contribute to organisational resilience.

3.5.26 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.

3.5.27 Of specific note during 2025/26 is the continued work to update and embed our zero-tolerance approach. As part of the County Council's ongoing Zero Tolerance commitment, the County Council wants to ensure that all staff are treated with respect and have access to the right information and guidance to prevent and respond to harassment, discrimination, bullying and abuse. Recent work has included the development of a new zero tolerance unacceptable customer actions in social care settings page on Hantsnet which supports staff and managers in accessing appropriate support to deal effectively with these incidents.

3.6 Managing risks and performance through robust internal control and strong public financial management.

3.6.1 The County Council's Strategic Plan is underpinned by the Corporate Performance Assurance Framework, which establishes how the County Councils performance against the Your Hampshire, for today and tomorrow strategic plan is assured and reported against. This includes an annual report to Cabinet in relation to how the County Council is meeting the commitments made in the plan.

3.6.2 As previously reported, in 2024/25 council's core risk and resilience service areas were consolidated into a new Organisational Resilience function. A new Head of Organisational Resilience role (reporting to the Deputy Director People and Organisation) was appointed to oversee Corporate Risk Management, Corporate Health and Safety, Emergency Planning and Resilience, and Information Governance. During 2025/26, this joined up approach, through this new leadership role, has strengthened the organisation's assurance, compliance, and enforcement of risk function policies, procedures, and controls throughout the council, collectively utilising specialist skills, expertise and professionalism to ensure that the organisation can better understand its risks and strengthen its resilience across the entire council.

The County Council's Risk Management Strategy, covering the period 2025-2028, was approved by Cabinet in November 2025. The strategy includes the council's agreed Risk Appetite statements introduced in 2024 as previously reported. 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.

3.6.3 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 Business Continuity Management Group (formerly 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.

3.6.4 The County Council's insurance strategy and governance is now included within the terms of reference of the RSMG, and a new broader Insurance Strategy was approved by Cabinet in November 2025. This new strategy provides a simpler and clearer overview of County Council's strategic framework for how insurance is managed (aligned to assessed risk), the factors considered when taking relevant decisions, and the key aims and objectives.

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 Deputy Chief Executive & Director People and Organisation also submits two annual reports to Cabinet and the Audit Committee. The Cabinet are formally responsible for reviewing, approving and overseeing the County Council's risk management strategy and arrangements, as well as having oversight of the Corporate Strategic Risk register. The Audit Committee provides oversight and scrutiny of County Council's risk management strategy and arrangements.

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3.6.7 The corporate guidance for staff clearly sets out the organisation's governance structure for managing risk effectively, including roles and responsibilities. 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. All risks on the Corporate Strategic Risk Register are also reviewed on an annual basis 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.

3.6.8 The Corporate Strategic Risks are also aligned to the commitments set out within the Your Hampshire, for today and tomorrow Strategic Plan.

3.6.9 In February 2025 the new Business Continuity policy and associated programme formally commenced, providing a clear and consistent one organisation approach to Business Continuity management. Now one year in to this two-year programme, the organisation is on track to achieve its business continuity aims. A clear business impact analysis process has been developed, allowing the organisation to understand its critical activities and dependencies, and a review of all training needs to strengthen resilience has been completed. Next steps will see the development and implementation of assurance for business continuity compliance, as well as a whole-organisation live Exercise in Autumn 2026.

3.6.10 A comprehensive Information Governance Framework is in place, overseen by the Data Protection Officer (DPO) and Deputy DPO. The Information Management Group is chaired by the Deputy DPO and attended by directorate Data Protection leads and subject matter experts. This group reports to and is provided with further oversight by the Risk Management Steering Group, which includes the County Council Senior Information Risk Officer, and Directorate Senior Information Risk Officers.

3.6.11 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.

3.6.12 As part of the Business Continuity Programme of work, the Emergency Planning and Resilience team and the IT Service has developed a framework to strengthen the organisation's resilience against a ransomware/cyber-attack or general prolonged loss of IT. This framework brings 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.

3.6.13 The Council's approach to risk management during 2025/26 has taken account of the wider uncertainty arising from national policy developments, including Local Government Reorganisation and devolution. While these remain subject to Government direction and local decision-making, the Corporate Strategic Risk Register has been kept under review to ensure that potential impacts on governance, finance, workforce and service continuity are appropriately identified and managed through existing assurance mechanisms.

3.6.14 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.

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3.6.15 Furthermore, the new operating model for the Corporate Health and Safety Team has been implemented, following the review undertaken by the Head of Organisational Resilience and agreed by the Corporate Management Team in January 2025. This new operating model delivers a more coherent and 'one-organisation' approach to Health and Safety management. It has also increased the capacity of the team to deliver greater assurance and preventative activities which began deliver in autumn 2025, with the aim being to reduce the number of incidents and accidents across the organisation.

3.6.16 The Internal Audit Plan 2025-265 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 new operating model for Health and Safety,

3.6.17 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the County Council.

3.6.18 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.

3.6.19 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.

3.6.20 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.

3.6.21 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.

3.6.22 The Audit Committee has 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. The Audit Committee produces an annual report to provide assurance that it fulfills its purpose and to demonstrate impact. This [report](#) was considered by the County Council at its meeting in February 2026.

3.6.23 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.

3.6.24 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.

3.6.25 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.

3.6.26 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, 2023/24 and 2024/25. 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. In each of these 'disclaimed audit opinions' the auditor has completed the required assessments of value for money arrangements and has not identified any risks of or actual significant weaknesses in arrangements. The Pension Fund had unqualified accounts in both 2022/23, 2023/24 and 2024/25.

3.6.27 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.

3.6.28 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.

3.6.29 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.

3.6.30 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. The forecast outturn position is presented informally to CMT and Cabinet monthly and formally to Cabinet and County Council quarterly.

3.6.31 However, established approaches to building financial resilience are being impacted 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. A further planned draw of £64.9m was required to balance the 2025/26 budget. While the forecast outturn has reduced the need to draw from reserves, largely due to unused contingencies and lower than expected growth in school transport costs, the position remains very challenging. A draw of £101.9m from reserves was required to balance the 2026/27 position; this impacts the County Council's financial sustainability (see paragraphs 3.6.38-3.6.40).

3.6.32 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 previous years 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 and acted upon. 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.

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3.6.33 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.

3.6.34 A similar application for an increase of 9.99% was made as part of the process of setting the 2026/27 budget. This would have reduced the budget gap and preserved a higher level of reserve balance to support the 2027/28 budget. However, this application was also rejected by Government.

3.6.35 The County Council was forecasting a significant in year overspend during the first part of the 2025/26 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 2025 these controls were formalised with the introduction of Directorate spend control boards supported by a spend control application, who review and agree all spend in excess of £500 (there are some agreed exclusions). These controls continued throughout 2025/26.

3.6.36 In addition to spend controls there is significant demand management work across demand led budgets, including frameworks to manage the cost of external placements, regular reviews of packages, greater visibility and governance of spend, reviews of eligibility and the use of more cost-effective personal budgets.

3.6.37 The County Council identified new savings of £12.8m for delivery during 2026/27. This total is significantly lower than in previous years, reflecting the reduced capacity to deliver new savings given the significant reductions that have already been made. Nonetheless, the County Council continues to explore opportunities to deliver savings, including by engaging with external support and by reviewing the approach of other Local Authorities.

3.6.38 The CFO's Section 25 statement for the 2026/27 budget ([Section 25 Report from Chief Financial Officer.pdf](#)) is an explicit and essential part of providing Members with a clear articulation of the financial position and the underlying financial risk and ensured that the CFO discharged his role in providing clear advice to Members and in delivering strong public financial management.

3.6.39 The CFO's Section 25 statement included clear recommendations to both Cabinet and Full Council as below:

'Note that if Council Tax is raised by 4.99%, the Chief Financial Officer's opinion is that Hampshire County Council's reserves for 2026/27 are adequate with risk for the known financial risks but that reserves are not adequate for 2027/28 onwards'.

'Note the Chief Financial Officer's view is that if Council Tax is only increased by 4.99%, that on the balance of probabilities, without additional government support, the CFO would have no choice but to issue a Section 114 notice in advance of the 2027/28 budget.'

3.6.40 The council tax increase was 4.99%, so based on the above the CFO has given clear advice to Members as to the likely consequence of that decision.

3.6.41 In summary, the organisation's financial challenges mean that strong financial management, including attempts to address the underlying causes of the financial challenges, have continued to be a central focus for the organisation this year.

3.6.42 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.

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3.6.43 When the Code was introduced the County Council undertook an evidence backed assessment of its compliance with all of the financial management standards in the Code, which concluded that the County Council was compliant. This assessment is in the process of being updated.

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 Your Hampshire, for today and tomorrow 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 An External Quality Assessment of the Southern Internal Audit Partnership was undertaken during 2025/26 against the new Global Internal Audit Standards in the UK Public Sector concluding with an assessment of "generally conforms" and no formal recommendations made.

3.7.6 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.

3.7.7 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.

Annual Governance Statement

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 commitments 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 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, with the most recent version approved by the Audit Committee in September 2025, 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.

Annual Governance Statement

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.

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 2026.

6. Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance.

6.1 Develop and implement a new Physical Security framework, enabling the organisation to further control risks and comply with new legislation including Martyn's Law. **Action Owner: Steph Randall**

6.2 Embed the new Health and Safety Assurance programme, to provide the organisation and its senior leaders with oversight of H&S risk controls and compliance with H&S legislation. **Action Owner: Steph Randall**

6.3 Embed the new Business Continuity assurance programme, to provide the organisation and its senior leaders with oversight of Business Continuity risk controls and compliance with Civil Contingencies Act legislation. **Action Owner: Steph Randall**

6.4 Continue delivery of the new Information Governance operating model as informed by a transformation review, enabling greater organisational oversight and alignment of strategies relating to information governance workstreams. **Action Owner: Steph Randall**

6.5 Implement strengthened insurance governance arrangements by establishing an Insurance Group to provide strategic oversight and assurance for all insurance matters, reporting to the Risk Management Steering Group, and introducing annual insurance reporting to CMT, the Audit Committee, and Cabinet, as part of the existing annual risk management reporting. **Action Owner: Steph Randall**

6.6 Maintain oversight of governance, assurance and decision-making arrangements in light of Local Government Reorganisation and devolution developments, ensuring that emerging proposals are supported by appropriate risk management, legal advice, and organisational readiness. **Action Owner: Emma Noyce**

6.7 Deliver a comprehensive Induction programme for new and re-elected Members following the 2026 County Election, with particular focus on Governance and Regulatory Knowledge, including training on the Constitution, decision-making processes, Scrutiny/Audit functions, and financial regulations, as well as role-specific training to ensure robust, safe and legal decision-making. Ensure cross-party oversight via a Member Development Group **Action Owner: Jac Broughton**

6.8 Work will again be undertaken across directorates, in conjunction with the Information Governance Management Group, to ensure any surveillance activity is legally undertaken and that assurances given to Audit Committee about surveillance activity and appropriate authorisation cover all relevant activities. **Action Owner: Richard Strawson**

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 2024/25 Annual Governance Statement: -

Action: 7.1 Develop the next Risk Management Strategy 2025-28, informed by external and internal reviews of our current risk management framework. 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.

Action Owner: Steph Randall

Update: The Corporate Risk Management Steering Group continues to drive risk management across the organisation. It continues to report to/meet with the Corporate Management Team twice a year, 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), providing a high-level overview of Directorate risk registers (including any key risk updates) and discuss 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.

The County Council's Risk Management Strategy, covering the period 2025-2028, was approved by Cabinet in November 2025. The strategy includes the council's agreed Risk Appetite statements introduced in 2024. 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.

To strengthen the RMSG's oversight or risk across the organisation, three cross directorate groups form part of the overall risk governance approach: The Business Continuity Management Group (formerly the Resilience Management Group), the Health & Safety Management Group, and the Information Governance Management Group.

The County Council's insurance strategy and governance is now included within the terms of reference of the RSMG, and a new broader Insurance Strategy was approved by Cabinet in November 2025. This new strategy provides a simpler and clearer overview of County Council's strategic framework for how insurance is managed (aligned to assessed risk), the factors considered when taking relevant decisions, and the key aims and objectives.

Date: 31/03/26

Annual Governance Statement

Action: 7.2 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

Update: In February 2025 the new Business Continuity policy and associated programme formally commenced, providing a clear and consistent one organisation approach to Business Continuity management. Now one year into this two year programme, the organisation is on track to achieve its business continuity aims. A clear business impact analysis process has been developed, allowing the organisation to understand its critical activities and dependencies, and a review of all training needs to strengthen resilience has been completed. 2026/27 will see the remaining areas of the programme completed, where the development of assurance programmes for business continuity compliance will be implemented, and a whole-organisation live Exercise in Autumn 2026 will stress test service recovery plans from across the organisation.

Date: 31/03/26

Action: 7.3 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

Update: Significant progress has been made in embedding the new Organisational Resilience service to strengthen assurance, compliance, accountability, and the consistent application of risk management frameworks across the council. The service is now established as a central point of coordination for organisational risk, business continuity, health and safety, information governance, physical security and resilience activities, providing clearer lines of accountability and improved visibility of organisational risk exposure.

A new operating model for Organisational Resilience has been fully implemented, bringing together key assurance functions and enabling a more coherent, system-wide approach to risk and compliance. This has supported the development of more robust governance pathways, strengthened oversight mechanisms, and improved alignment between strategic risk management, service planning, and operational controls.

Key achievements include:

- **Health & Safety Accountability Framework**

The Health & Safety Accountability Framework has been refreshed and embedded across all directorates. Clear responsibilities have been communicated, with strengthened escalation routes and reporting cycles, including regular assurance updates to senior leadership. Managers have received targeted guidance and improved data dashboards, supporting more effective monitoring of compliance and early identification of concerns.

Annual Governance Statement

• Enhanced Assurance and Compliance Monitoring

New processes have been introduced to improve the consistency and quality of assurance activity. This includes structured self-assessments targeted at every Head of Service, improved evidence tracking for compliance actions, and greater integration of organisational risk themes into corporate reporting.

• Strengthened Enforcement and Controls

The service has introduced clearer expectations around compliance with corporate risk frameworks, supported by enhanced training, updated policies, and more systematic follow-up of non compliance. Where required, escalation processes have been used to reinforce accountability and ensure that appropriate corrective actions are taken.

• Improved Cross Council Collaboration

The Organisational Resilience service is now working more proactively with directorates to support early intervention, support services to meet their statutory duties, and promote a culture of continuous improvement in governance and risk management.

Overall, the service is increasingly embedded and is contributing to stronger organisational controls, clearer accountability, and improved oversight of risk and resilience arrangements. Work will continue into the next year to refine key processes, strengthen data insights, and further mature the council's assurance environment.

Date: 31/03/26

Action: 7.4 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

Update: A comprehensive Information Governance Framework is in place, overseen by the Data Protection Officer (DPO) and Deputy DPO. The Information Management Group is chaired by the Deputy DPO and attended by directorate Data Protection leads and subject matter experts. This group reports to and is provided with further oversight by the Risk Management Steering Group, which includes the County Council Senior Information Risk Officer, and Directorate Senior Information Risk Officers.

A transformation review was carried out during the year to assess the effectiveness of Information Governance (IG) arrangements across the organisation. The review recommended a series of improvements to strengthen organisational oversight, align approaches between the various IG teams, and support the effective delivery of the council's Information Governance Strategy.

In response, work has progressed to develop and implement a more consistent IG operating model. This includes clearer roles and responsibilities, improved coordination between corporate and directorate IG functions, and more standardised processes for data handling, incident reporting, and records management. Strengthened governance arrangements — supported by regular reporting to the SIRO and DPO — are improving visibility and challenge across directorates.

Updated guidance and training will be introduced to promote consistent practice, and enhanced monitoring mechanisms are helping identify and address areas of non-compliance. Overall, the review has provided a strong foundation for a more coherent and assured IG framework, with improvements now being embedded across the organisation.

Date: 31/03/26

Annual Governance Statement

Action: 7.5 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

Update: During 2025/26, the County Council continued to deliver a structured Member Briefing Programme to ensure Members remained informed on key corporate, financial and governance matters. Briefings were delivered primarily virtually to maximise accessibility, with recordings and materials available to support refresher learning.

The programme included regular updates on finance, governance, workforce and organisational resilience, alongside Directorate specific briefings and updates from the Chief Executive and Corporate Management Team. Particular focus was given to briefing Members on Local Government Reorganisation and devolution developments, supporting Members to understand emerging policy direction and their statutory roles.

Work was also undertaken to review and refresh the Member Induction Programme in preparation for the May 2026 elections, ensuring induction arrangements remain aligned with current governance, decision making and assurance frameworks. The Induction Programme was developed to take account of the likelihood of more new Members joining the Council that would normally be expected.

Date: 31/03/26

Action: 7.6 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

Update: The new Shared Services Branch for AHC and CSD was formed on 1st January 2025. As part of this change the CSD and AHC Payments team were merged under the leadership of one Head of Service (Head of Brokerage and Billing). Alongside this the Mosaic system was moved to a shared service product owner under the leadership of the same Head of service. The new BAU operating model, which included removing all temporary resource, was developed and approved by CSD DMT on 19th June. At this point the CSD Payments team was renamed to Care and Provider Payments Support Team from 1st July to reflect the new operating model and BAU nature of the team.

On 1st July the BAU Payments and mosaic operating model was in place and it is now overseen by the Care Providers Improvement (CPI) Programme, chaired by Sarah Snowdon. The BAU operating model continues to drive improvements at pace including a robust performance management approach, skills development, process and system improvements.

Date: 20/08/25

Annual Governance Statement

Action: 7.7 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: Jac Broughton/Stuart Ashley

Update: Over the past six months, this action has been subject to three CMT papers and associated discussions. A final discussion took place at CMT on 11 March 2026, at which point CMT agreed that the action could be closed, on the basis that the required reviews and actions had been completed.

The papers and discussion approved that that the HCC Assurance Framework in place is established and operating effectively

CMT agreed that a small number of Director Key Strategic Concerns are explicitly kept under review, ensuring that matters of greatest significance to Directors remain visible to the Chief Executive and CMT. These key concerns would be discussed at least on a six-monthly basis, providing an opportunity to confirm that current governance and assurance arrangements remain sufficient and proportionate.

CMT agreed to continue to maintain active oversight of the corporate strategic risk register, ensuring it is reviewed regularly, remains current, and that mitigating controls continue to provide appropriate assurance. In addition they will maintain robust oversight of the Internal Audit Plan. Finally following review, it was agreed that culture was being actively addressed and improved via the extensive work on Role of the Manager

Date: 31/03/26

Action: 7.8 Work will be undertaken in directorates to identify any surveillance activity undertaken by the County Council to ensure that the assurances given to Audit Committee about surveillance activity cover all surveillance activities undertaken by the County Council.

Action Owner: Richard Strawson

Update: The County Council undertook an internal exercise to obtain assurance that no unauthorised or inappropriate surveillance activities were being undertaken throughout the County Council, beyond Trading Standards where historically surveillance activities have been used.

A formal exercise was undertaken to identify any surveillance activities across directorates that could fall outside the scope of the RIPA. Coordinated through the network of Data Protection Coordinators, this review involved engaging with services across the County Council to gather information about any monitoring or observational practices they carry out, including the use of CCTV, social media monitoring, and other forms of surveillance.

Annual Governance Statement

The aim of this work was to provide assurance that such activities were proportionate, appropriately documented, and legally compliant.

Surveillance was interpreted broadly for this review, including any monitoring, observing or listening to individuals, their movements, conversations or communications, whether or not surveillance devices were used. Responses from services across the Council highlighted activities such as CCTV in libraries and care settings, telecare provision, and occasional social media monitoring. These activities were found to be outside the scope of RIPA and Data Protection Impact Assessments were in place to ensure compliance with data protection obligations.

The review confirmed that, while several services across the County Council engage in activities such as reviewing CCTV footage, accessing social media accounts, or examining staff email accounts, there is no evidence of systematic or ongoing monitoring of individuals. These activities are infrequent, purpose-driven, and conducted within appropriate governance frameworks, ensuring that they do not constitute covert surveillance or fall outside the scope of lawful practice.

There was no reported use of deceptive methods, no engagement with private groups, and no repeated or targeted viewing of individuals. For example, access to staff accounts is conducted under managerial authority and social media monitoring is limited to publicly available content and is conducted for legitimate operational purposes.

Overall, the findings provide assurance that the County Council's surveillance practices outside of RIPA are proportionate, transparent, and compliant with data protection legislation. The results have been reported to the Risk Management Steering Group and will support future reporting to the Audit Committee and the Surveillance Commissioner. This annual review process will help ensure continued accountability and good governance.

Date: 16/04/26

Action: 7.9 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.

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

Update: Since the 2025 audits, HTM has actively continued implement a series of management interventions to directly address the critical control weaknesses identified, with a particular focus on strengthening record keeping, re-embedding adherence to agreed procedures and business processes and improving day-to-day governance, and management oversight. This has included clarifying how compliance and operational data is recorded, ensuring these processes are consistently followed, and refining workflows to reduce duplicate data entry and improve the reliability of the service's key assurance information.

Annual Governance Statement

In parallel, a number of temporary mitigations have been introduced to address known inefficiencies and limitations in the current fleet management IT arrangements, including strengthened interim reporting and improved manual controls to maintain appropriate management oversight while longer-term solutions are progressed.

A project to procure a replacement fleet management system is now in development, recognising that the complexity of requirements, the availability of specialist IT/procurement resources (in light of LGR), and the anticipated system cost/value will influence the delivery route and timetable. As a result, procurement and implementation of a new system can typically take 6–12 months, subject to final scope definition, approvals and resourcing.

An Internal Audit is underway to re-review the controls in place and is due to be concluded in May/June 2026.

Date: 31/03/26

Action: 7.10 – 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 brought 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

Update: Work to improve quality and assurance on provision and maintenance of lifting equipment is now successfully completed with an audit planned in May 2026 to provide additional assurance.

Date: 31/03/26

Annual Governance Statement

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:

Chief Executive

Date:

Signed:

Leader of the Council

Date:

The Annual Governance Statement was still at the draft stage when these draft accounts were published, so has not yet been signed. The finalised, signed version will be included when the audited accounts are published.



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 terms and school days. The income, expenditure, own pay and conditions for staff, freedoms around the delivery of the curriculum, and the ability 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).

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

Community asset

An asset that the Council intends to hold forever, that has no determinable useful life, and that may have restrictions on its disposal. An example of a community asset is parkland.

Comprehensive Income and Expenditure Statement (CIES)

Statement that shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Contingent asset

A potential asset that is uncertain because it depends on the outcome of a future event.

Contingent liability

A potential liability that is uncertain because it depends on the outcome of a future event.

Council tax

A domestic property tax based on capital values with a personal element (a 25% discount for single-adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor

An individual or body to which the Council owes money at the Balance Sheet date.

Current asset

An asset that is realisable or disposable within less than one year without disruption to services.

Current liability

A liability that is due to be settled within one year.

Current service costs

The increase in the present value of pension liabilities expected to arise from employee service in the current period.

Custodian

A bank that looks after Pension Fund investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

Debtor

An individual or body that owes money to the Council at the Balance Sheet date.

Dedicated Schools Grant (DSG)

A Government grant that can only be used to fund expenditure within the schools' budget.

Deferred liability

An amount owed by the Council that will be repaid over a significant period of time. For example, the Council holds a deferred liability to pay for assets constructed as part of the waste and street lighting PFI contracts, which will reduce over the life of the assets.

Defined benefit pension scheme

A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and either final salary or average earnings.

Deposit

Receipt held that is repayable in prescribed circumstances.

Depreciated historical cost

The valuation of fixed assets at their original cost less depreciation charged to date.

Depreciated replacement cost

Relating to fixed assets, the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Developers' contribution

Developers may be required to provide contributions for building infrastructure. These may result from the Community Infrastructure Levy, section 106 and section 278 planning obligations, or planning conditions.

Discretionary increase in pension payments

This increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Dividends

Income to the Pension Fund on its holdings of UK and overseas shares.

Earmarked reserve

See Reserve.

Equities

Shares in UK and overseas companies.

Exceptional item

An item identified separately in the accounts because of its exceptional nature to make sure the presentation of the accounts is fair.

Expected credit loss

An estimate of the losses an authority expects it will incur from financial instruments.

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.

d budget

Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

Precept

The demand made by the County Council on the collection funds maintained by the district councils for council taxpayers' contribution to its services.

Private equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e. not easily turned into cash) and higher-risk investments that should provide high returns over the long-term.

Private finance initiative (PFI)

Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Projected unit method

One of the common methods used by actuaries to calculate a contribution rate to the LGPS, which is usually expressed as a percentage of the members' pensionable pay.

Provisions

An estimated figure within the accounts for liabilities that are known to exist but cannot be measured accurately.

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.

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

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Independent Auditors Report – Pension Fund
