# NOTICE OF MEETING

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| **Meeting:** | **AUDIT COMMITTEE** |
| **Date and Time:** | **FRIDAY, 24 JANUARY 2025, AT 9.30 AM** |
| **Place:** | **COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYNDHURST, SO43 7PA** |
| **Enquiries to:** | **E-mail: andy.rogers@nfdc.gov.uk<br>Tel: 023 8028 5070** |

**PUBLIC INFORMATION:**

**This agenda can be viewed online (https://democracy.newforest.gov.uk). It can also be made available on audio tape, in Braille and large print.**

**Members of the public are welcome to attend this meeting. The seating capacity of our Council Chamber public gallery is limited under fire regulations to 22.**

**Members of the public can watch this meeting live, or the subsequent recording, on the Council's website. Live-streaming and recording of meetings is not a statutory requirement and whilst every endeavour will be made to broadcast our meetings, this cannot be guaranteed. Recordings remain available to view for a minimum of 12 months.**

**PUBLIC PARTICIPATION:**

**Members of the public may speak in accordance with the Council's public participation scheme:**

**(a) on items within the Audit Committee's terms of reference which are not on the public agenda; and/or**

**(b) on individual items on the public agenda, when the Chairman calls that item. Speeches may not exceed three minutes.**

**Anyone wishing to attend the meeting, or speak in accordance with the Council's public participation scheme, should contact the name and number shown above no later than 12.00 noon on Tuesday, 21 January 2025.**

**Kate Ryan**
**Chief Executive**

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
www.newforest.gov.uk

# AGENDA

**Apologies**

**1. APPOINTMENT OF VICE-CHAIRMAN**

To appoint a Vice - Chairman of the Committee for the remainder of the Municipal Year.

**2. MINUTES**

To confirm the minutes of the meeting held on 25 October 2024 as a correct record.

**3. DECLARATIONS OF INTEREST**

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

**4. PUBLIC PARTICIPATION**

To receive any public participation in accordance with the Council's public participation scheme.

**5. CONCLUSION OF 2022/23 AUDIT PROCESS AND ANNUAL FINANCIAL REPORT** (Pages 5 - 8)

To receive an update on the conclusion of the:

- 2022/23 Annual Financial Report
- 2022/23 Letter of Representation and
- Annual Governance Statement 2022/23

**6. EXTERNAL AUDIT RESULTS REPORT 2023/24** (Pages 9 - 64)

To receive the External Audit Results report for 2023/24.

**7. FINAL ANNUAL FINANCIAL REPORT 2023/24 INCLUDING ANNUAL GOVERNANCE STATEMENT 2023/24** (Pages 65 - 196)

To receive the Final Annual Financial Report 2023/24, including the Annual Governance Statement 2023/24.

**8. INTERNAL AUDIT PROGRESS REPORT 2024-25** (Pages 197 - 216)

To receive the Internal Audit progress report.

**9. IMPLEMENTATION OF GLOBAL INTERNAL AUDIT STANDARDS** (Pages 217 - 226)

To receive an update on the implementation of Global Internal Audit Standards.

**10.** **TREASURY MANAGEMENT STRATEGY 2025/26** (Pages 227 - 264)

To consider the Treasury Management Strategy for 2025/26.

**11.** **INVESTMENT STRATEGY 2025/26** (Pages 265 - 276)

To consider the Investment Strategy for 2025/26.

**12.** **PRINCIPAL RISK AND RISK MANAGEMENT POLICY UPDATE** (Pages 277 - 314)

To receive an update on the Principal Risks and Risk Management Policy.

**13.** **AUDIT COMMITTEE WORK PLAN** (Pages 315 - 318)

To consider the Audit Committee's Work Plan.

**14.** **FUTURE MEETING DATES - UPDATE**

At the last meeting the following provisional dates were agreed for future meetings of the Audit Committee, subject to clarification of audit deadlines.

(Fridays at 10 am):

**2025**
30 May
25 July (Propose delete and replace with 27 June)
31 October

**2026**
23 January
27 March

Please note that, it has now become necessary to delete the 25 July 2025 date and it is proposed to add the date of **27 June 2025**, to fit in with Audit preparation timescales.

**15.** **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

To:

| | |
|---|---|
| **Councillors** | **Councillors** |
| Alan Alvey (Chairman) | Alan O'Sullivan |
| John Adams | Caroline Rackham |
| Kate Crisell | Janet Richards |
| Jack Davies | Richard Young |
| Jacqui England | |

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**Audit Committee – 24 January 2025**

# Conclusion of 2022/23 Audit Process and Annual Financial Report

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|---|---|
| Purpose | For Information |
| Classification | Public |
| Executive Summary | This report confirms the delegations agreed at the 25 October 2024 Audit Committee regarding concluding the 2022/23 audit process, including approval of the:<br>• 2022/23 Annual Financial Report<br>• 2022/23 Letter of Representation and<br>• Annual Governance Statement 2022/23<br>These were used to conclude and publish all matters by the 13 December 2024 deadline. |
| **Recommendation(s)** | **It is recommended that Audit Committee:**<br>**1. Note the contents of the report and that the Annual Financial Report, Letter of Representation and Annual Governance Statement relating to the 2022/23 financial year were concluded and published by the 13 December 2024 backstop deadline.** |
| Reasons for recommendation(s) | The Council is required to prepare, and have externally audited, an Annual Financial Report for each year and to prepare an Annual Governance Statement.<br>This report acknowledges the completion of the requirements by the deadline. |
| Ward(s) | All |
| Portfolio Holder(s) | Councillor Jeremy Heron – Finance and Corporate |
| Strategic Director(s) | Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer) |

| | |
|---|---|
| Officer Contact | Paul Whittles<br>Assistant Director – Finance<br>02380 285766<br>paul.whittles@nfdc.gov.uk |



## Introduction and background

1. This report provides an update to the Audit Committee on the audit of the 2022/23 Annual Financial Report and its conclusion.

## Conclusion of the audit process 2022/23

2. In line with the delegations provided by the Audit Committee at the 25 October 2024 meeting, the Chairman of the Audit Committee and s151 Officer approved the final Annual Financial Report 2022/23 in order to satisfy the 13 December backstop deadline.

3. The Annual Financial Report did not contain any material changes from that which was presented to the October committee.

4. Furthermore, and again in line with the delegations provided by the Audit Committee at the 25 October 2024 meeting, the Chairman of the Audit Committee and s151 Officer signed the Letter of Representation relating to the 2022/23 Annual Financial Report.

5. The Letter of Representation did not contain any material changes from that which was presented to the October committee.

6. The final approved Annual Financial Report for 2022/23 alongside the final auditor's report and completion report were submitted and published by the required 13 December 2024 deadline.

7. Finally, in line with the delegations provided by the Audit Committee at the 25 October 2024 meeting, the Chief Executive and Leader of the Council signed the Annual Governance Statement 2022/23 by the required deadline.

8. Copies of the final Annual Financial Report, Letter of Representation and Annual Governance Statement are available on the council's website.

## Corporate plan priorities

9. The Annual Financial Report is a public facing document that sets out a number of key financial figures related to the Council's financial performance and sustainability.

10. The external auditor’s report provides assurance to stakeholders as to the effectiveness of the Council’s internal control environment and its efficiency in securing value for money in the use of public funds.

11. It provides assurance on the financial standing of the Council and ensures that commitments to corporate plan can be delivered with adequate and sustainable financing.

12. Ensuring the council is being financial responsible, as evidenced by independent external audits, underpins all our corporate plan themes (People, Place and Prosperity).

**Options appraisal**

13. There are no alternative options to consider.

**Consultation undertaken**

14. Consultation between the council and our external auditors and advisors has been continuous throughout as the situation has developed.

15. Audit committee has been appraised of the progress to date at each opportunity.

**Financial and resource implications**

16. There are no financial and resources implications arising as a result of the recommendations in this report.

**Legal implications**

17. There are no legal implications arising as a result of the recommendations in this report.

**Risk assessment**

18. There are no risk assessment implications arising as a result of this report.

**Environmental / Climate and nature implications**

19. There are no environmental or climate and nature implications as a result of this report.

**Equalities implications**

20. There are no equality matters arising as a result of this report.

**Crime and disorder implications**

21. There are no crime and disorder matters arising as a result of this report.

**Data protection / Information governance / ICT implications**

22. There are no data protection, information governance or ICT implications arising as a result of this report.

| **Appendices:** | **Background Papers:** |
|---|---|
| None | Annual Financial Report & Annual Governance Statement 2023/24 |

**Audit Committee – 24 January 2025**

# Ernst & Young Audit Results Report – Year ended 31 March 2024

| | |
|---|---|
| Purpose | The purpose of this report is to provide the Audit Committee with an overview of external audit work undertaken. |
| Classification | Public |
| Executive Summary | This report sets out the external auditors' findings regarding its work regarding the Council's Annual Financial Report, Value for Money and the Annual Governance Statement. |
| **Recommendation(s)** | **It is recommended that Audit Committee:**<br><br>**1. Notes the Audit Results Report from the Council's external auditor.** |
| Reasons for recommendation(s) | This report seeks authority to note the Audit Results Report for the year ended 31 March 2024. |
| Ward(s) | All |
| Portfolio Holder(s) | Councillor Jeremy Heron – Finance and Corporate |
| Strategic Director(s) | Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer) |
| Officer Contact | Simon Mathers<br>Partner, Ernst & Young LLP<br>SMathers@uk.ey.com |

## Introduction and background

1. This report introduces to the Audit Committee the external auditors' annual Audit Results Report which details the progress made with regard to the 2023/24 financial year.

2. For New Forest District Council, all Annual Financial Reports up to and including the previous financial year 2022/23, have been produced and approved as final.

3. The government instigated a number of back stop dates to resolve the audit backlog. The back stop date for 2023/24 audits is 28 February 2025 and the external auditor and council are confident of meeting this deadline.

**Audit Results Report**

4. The Audit Results Report alongside the Annual Financial Report is a public facing document that sets out a number of key financial figures related to the Council's financial performance and sustainability.

5. The independent external auditor's report provides assurance to stakeholders as to the effectiveness of the Council's internal control environment and its efficiency in securing value for money in the use of public funds.

6. It provides assurance on the financial standing of the Council and ensures that commitments to corporate plan can be delivered with adequate and sustainable financing.

7. Ernst & Young LLP are currently working on their process for the issuing of their audit opinions. The audit opinions will be disclaimed due to the back stop process undertaken for the 2022/23 Annual Financial Report. The audit opinion for 2023/24 will be given upon completion of the audit which is anticipated to be done prior to the back stop date of 28 February 2025.

**Corporate plan priorities**

8. Ensuring the council is being financial responsible, as evidenced by independent external audits, underpins all of our corporate plan themes (People, Place and Prosperity).

**Options**

9. There are no alternative options to consider.

**Consultation undertaken**

10. Consultation between the council and our external auditors and advisors has been continuous throughout as the audit has developed.

**Financial and resource implications**

11. External audit work is undertaken using a contract set up in arrangement with Public Services Audit Appointments Limited and revenue budget is provided for in the council's MTFP.

**Legal implications**

12. The Council has a legal obligation to contract an external auditor to undertake an annual audit of its Annual Financial Report.

**Risk assessment**

13. An evaluation of the risks in the body of the appended Audit Results report indicates that the existing controls in place mean that no significant risks that been identified at this time

**Environmental / Climate and nature implications**

14. There are no environmental or climate and nature implications arising directly from this report.

**Equalities implications**

15. There are no equality matters arising directly from this report.

**Crime and disorder implications**

16. There are no crime and disorder matters arising directly from this report.

**Data protection / Information governance / ICT implications**

17. There is a data sharing agreement in place with Ernst & Young LLP.

| **Appendices:** | **Background Papers:** |
| --- | --- |
| Ernst & Young<br>Audit Results Report<br>Year ended 31 March 2024 | None |

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# New Forest District Council
# Audit results report

## Year ended 31 March 2024

8th January 2025

Members of the Audit Committee
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst
S43 7PA

8th January 2025

Dear Audit Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 24th January 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on New Forest District Council's (the Council's) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the (Council's) body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 05/11/2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

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# Contents





Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of New Forest District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of New Forest District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of New Forest District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.


# 01 Executive Summary


# Executive Summary – Context for the audit

## Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ► Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ► Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ► Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 05/11/2024 Audit Completion Report to the Audit Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.


# Executive Summary

## Scope update

In our audit planning report tabled at the 31 May 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £2.65m (Audit Planning Report – £2.47m). This results in updated performance materiality, at 75% of overall materiality, of £1.988m, and an updated threshold for reporting misstatements of £0.132m.
- Portfolio heading changes: We noted that the Council have updated the Cost of Services headings within the 2023/24 Statement of Comprehensive Income and Expenditure in order to be in line with the new service line structure which was updated in 2023/24. To allow the user of the financial statements to compare one year to the next, the prior year figures have been restated in the CIES and EFA to reflect these updated service lines. We are required to review the changes and perform testing over the remapping of the prior year figures to confirm the restatement has been completed correctly.

## Status of the audit



Our audit work in respect of the Council opinion is in progress. Details of each outstanding item, actions required to resolve, and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

## Value for Money

In our Audit Planning Report Update dated 31 May 2024, we reported that we had completed our value for money (VFM) risk assessment, and we had identified no risks of significant weaknesses in arrangements. Having updated our risk assessment at the execution phase of the audit we continued to identify no risks of significant weakness in the Authority's VFM Arrangements. See Section 03 of the report for further details.

## Audit differences

After preparation of the draft financial statements by management but prior to the commencement of our audit testing, management notified us of a change being required to the Pension Liability balance of £520k. Management plan to correct this in the updated financial statements. Our audit testing has been based on these updated balances. In addition to this, the review of the IAS 19 liability by our pensions audit specialist has identified a misstatement in some of the assumptions made by the fund actuary in determining the 2023/24 valuation. As a result of this, a new IAS 19 report has been requested from the actuary by the Council. This report has been received and has resulted in a further material adjustment to the pension liability valuation.

This above change has resulted in updates being required to the Pensions Liability disclosures.

In addition, in completing our asset valuation procedures, various misstatements have been identified in the valuation of Property, Plant and Equipment assets and Investment Property Assets. The Property, Plant and Equipment balance is understated by £2,015k across 6 different assets and the Investment Property balance is overstated by £224k across 3 different assets.

One further disclosure misstatement has been identified in relation to the leases' disclosure, for operating leases where the Council is acting as lessor. No further misstatements have been identified at the time of writing; however, our work remains ongoing as detailed in Appendix C.


# Executive Summary (cont’d)

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work, although this work remains subject to final review.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We will provide a further update on our work in this area in due course.

## Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of New Forest District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the ‘Areas of Audit Focus’ section of this report and summarised below.

<u>Significant and Fraud Risk: Misstatement due to fraud or error</u>

- We are still concluding our work in this area. We have not identified any misstatements due to fraud at the time of writing. However, some misstatements due to error have been identified within the valuation of Investment Property and Property, Plant and Equipment Assets as detailed within the specific Significant and Inherent Risks below.



<u>Significant and Fraud Risk: Inappropriate capitalisation of revenue expenditure</u>

- Our testing of Property, Plant and Equipment and Investment Property additions is complete. Our testing of REFCUS spend is complete subject to internal review and our journals testing remains ongoing.

<u>Significant Risk: Valuation of investment property land and buildings – valued at Fair Value (FV)</u>

- We have completed our work over the valuation of investment properties under FV. We have identified 3 misstatements totalling £224k due to judgemental differences in yield values which should be adopted in determining the asset valuation.

<u>Inherent Risk: Valuation of property, plant and equipment (PPE) land and buildings – valued at Depreciated Replacement Cost (DRC)</u>

- We have completed our work over the valuation of PPE under DRC. We have identified misstatements in all DRC assets valued in 2023/24 totalling £1,317k due to incorrect determinations of the land values.

<u>Inherent Risk: Valuation of PPE land and buildings – valued at Existing Use Value (EUV)</u>

- We have completed our work over the valuation of PPE under EUV. We have identified a misstatement in 1 EUV assets which was incorrectly subject to an impairment review in 2023/24 as opposed to a full valuation. This resulted in a misstatement of £698k.


# Executive Summary (cont’d)



## Areas of audit focus (continued)

Inherent Risk: Valuation of Council Dwellings

- The work on this area is complete and we have not identified any misstatements, including incorrect valuation of Council Dwellings.

Inherent Risk: Pension Liability / Asset Valuation

- This work remains ongoing at the time of writing this report. Prior to commencement of the audit testing, management notified us of a change being required to the financial statements in respect of the pension liability valuation due to the receipt of an updated IAS 19 valuation report from the Actuary. We have completed our audit testing based on these updated values. A further misstatement was identified during the review performed by our EY pension specialist such that a further IAS 19 report was required to be obtained by the Council. This updated report has been received although our testing on this updated report remains ongoing.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or management.

## Control observations

During the audit we identified a number of observations and improvement recommendations in relation to management’s financial processes and controls:

- Property, Plant and Equipment Valuations: During our testing of Property, Plant and Equipment Valuations, one asset was identified as subject to an impairment review in 2023/24 as opposed to a full asset valuation. This asset was last revalued in 2017/18 and as such, was not subject to a full asset valuation in the last 5 years in accordance with the Council’s accounting policies and as suggested in the CIPFA Code.
- Debtor and Creditor Reports: During our audit testing, we encountered difficulties in obtaining debtor and creditor listing detailing outstanding balances held at year-end which should be readily available and collated as part of the Council’s production of their financial statements.

## Independence

Please refer to Section 08 for our update on Independence.

# 02 Areas of Audit Focus

# Areas of Audit Focus

## Significant and Fraud Risk – Misstatement due to fraud or error

### What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### Our response to the key areas of challenge and professional judgement

We carried out the following procedures:

- We identified fraud risks during the planning stages.
- We inquired of management about risks of fraud and the controls put in place to address those risks.
- We sought to understand the oversight given by those charged with governance of management's processes over fraud.
- We discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- We have considered the effectiveness of management's controls designed to address the risk of fraud.
- We determined an appropriate strategy to address those identified risks of fraud.
- We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- We undertook procedures to identify significant unusual transactions.
- We considered whether management bias was present in the key accounting estimates and judgements in the financial statements.

### What else did we do?

As part of our risk evaluation, we considered the need to perform other audit procedures not referred to above. We concluded that those procedures included under the 'risk of Inappropriate capitalisation of revenue expenditure' were required. See the following page for the results of work in this area.

# Areas of Audit Focus

### Significant and Fraud Risk – Misstatement due to fraud or error (continued)

### What is the status of our work?

Our audit work in this area is ongoing.

We have completed our work in respect of the estimates of Property, Plant and Equipment valued on an Existing Use Value (EUV) basis and a Depreciated Replacement Cost (DRC) basis, as well as the valuation of Investment Property valued on a Fair Value (FV) basis and are satisfied that there is no evidence of misstatement due to fraud arising. We have however, identified some misstatements due to error as detailed on pages 14, 15 and 16.

We have also completed our work in respect of the estimate to Council Dwellings valuations and are satisfied that there is no evidence of misstatement due to fraud arising.

Our testing in respect of other identified key accounting estimates and judgements (including the Pension Assets and Liabilities valuation and NNDR Appeals Provision valuation) is ongoing.

In addition, our testing of journal entries to for proper posting for genuine business reasons is ongoing.

From the work performed to date, we have not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

# Areas of Audit Focus (cont’d)

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## Significant and Fraud Risk – Inappropriate capitalisation of revenue expenditure

### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- We tested Property, Plant and Equipment (PPE) and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- We assessed whether the capitalised spend clearly enhances or extends the useful life of assets rather than simply repairing or maintaining the asset on which it is incurred.
- We considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- We tested REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- We identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

### What is the status of our work?

Our testing of PPE and IP additions is complete and has not identified any evidence of inappropriate capitalisation of revenue expenditure.

Our testing of REFCUS and journal entries remains ongoing, with the testing of REFCUS pending internal review. From the work completed to date, we have not identified any instances of spend being inappropriately financed from ringfenced capital resources or journals inappropriately transferring expenditure from revenue to capital codes.

### What else did we do and further relevant information

We selected a sample of PPE and IP additions and REFCUS spend using lowered testing thresholds, to ensure that they were appropriately supported by documentary evidence, and that the expenditure incurred and capitalised was clearly capital in nature.

We used our data analytics tools to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE or IP additions or from revenue to capital codes on the general ledger at the end of the year.

# Areas of Audit Focus (cont'd)

Significant Risk - Valuation of investment property land and buildings – valued at Fair Value (FV)

## What is the risk?

The valuation of those assets valued on a FV basis is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

## What are our conclusions?

Our work in this area is complete. We have confirmed that all investment property assets were revalued in year, being 14 assets. We have selected 6 investment property assets for detailed testing.

This detailed testing includes focusing on the reasonableness of the underlying assumptions used, including the key assumptions of yield and forecast future income.

Of the 6 assets selected for testing, we identified misstatements in the valuation of 3 assets. This generated a total overstatement of the Investment Property balance of £224k. These misstatements related to judgemental differences in the yields adopted by the valuer.

## Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- We ensured that investment property assets have been revalued as per the valuer instructions and in compliance with the Code;
- We considered whether there are any specific changes to assets that should have been communicated to the valuers;
- We tested a sample of key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken; and
- We reviewed journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

## What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

# Areas of Audit Focus (cont’d)

**Inherent Risk - Valuation of property, plant and equipment (PPE) land and buildings – valued at Depreciated Replacement Cost (DRC)**



### What is the risk?

Land and buildings valued at DRC represent significant balances in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- We considered the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- We ensured that PPE assets valued on a DRC basis have been revalued as per the valuer instructions and in compliance with the Code;
- We considered whether there are any specific changes to assets that should have been communicated to the valuers;
- We tested a sample of key asset information used by the valuers in performing their valuation (e.g. floor plans to support area inputs used);
- We considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken; and
- We reviewed journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

### What are our conclusions?

Our work in this area is complete. We have confirmed that 5 assets have been revalued in year on a DRC basis and we have selected all 5 assets for detailed testing.

This detailed testing includes focusing on the reasonableness of the underlying assumptions used, including the key assumptions of floor areas.

Of the 5 assets selected for testing, we identified misstatements in the valuation of all 5 assets. These misstatements all related to the incorrect determination of the land value associated with each asset and as a result, a revised valuation was provided by the valuer for each asset. This generated a total understatement of the Property, Plant and Equipment balance of £1,317k.

### What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council’s valuer.

We understood the valuation methodology applied by the Council’s valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

# Areas of Audit Focus (cont’d)

## Inherent Risk - Valuation of PPE land and buildings – valued at Existing Use Value (EUV)

### What is the risk?

PPE land and buildings measured at EUV represent significant balances in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end EUV balances held in the balance sheet. As the Council’s asset base is significant, and the outputs from the valuers are subject to estimation, there is a higher inherent risk that EUV assets may be under/overstated or the associated accounting entries incorrectly posted.

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- We considered the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- We ensured that PPE assets valued on a EUV basis have been revalued as per the valuer instructions and in compliance with the Code;
- We considered whether there are any specific changes to assets that should have been communicated to the valuers;
- We tested a sample of key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken; and
- We reviewed journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

### What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council’s valuer.

We understood the valuation methodology applied by the Council’s valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

### What are our conclusions?

We have completed our work in this area.

We have confirmed that 14 PPE assets were revalued in 2023/24. We have selected 4 PPE assets for detailed testing. We have also selected 1 further asset to review prior to determining whether detailed testing is required.

This detailed testing includes focusing on the reasonableness of the underlying assumptions used, including the key assumptions of yield and forecast future income.

We did not identify any material misstatements arising from our testing of the 4 assets initially selected for testing. However, in performing our review of the fifth asset, we noted that this asset had only been subject to an impairment review in 2023/24 and not a full valuation. The previous full valuation was undertaken in 2017/18 and therefore, has not been revalued in the last 5 years as required under the Council’s accounting policies and suggested within the CIPFA Code. The valuer therefore completed a full valuation and as such, we performed full detailed testing over this revised valuation. The revised valuation differed to the initial valuation by £698k being an understatement of the asset value. We consider this further in Section 05 of this report.

# Areas of Audit Focus (cont'd)

## Inherent Risk - Valuation of Council Dwellings

### What is the risk?

As with land and buildings, the value of Council Dwellings in the Council's accounts are subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

### What are our conclusions?

Our testing on this area is complete and we have identified no material misstatements.

The Beacon Methodology has been correctly applied and properties have been assessed to be appropriately classified within each beacon.

Council dwelling valuations are in line with current market data.

We have not identified any instances of inappropriate judgements being applied.

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- We evaluated the application of the Beacon Methodology;
- We tested a sample of Council Dwellings valuations against equivalent property market sales; and
- We tested the accounting entries to ensure that they have been correctly processed in the financial statements.

### What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

# Areas of Audit Focus (cont’d)

## Inherent Risk – Pension Liability / Asset Valuation

### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council’s pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council’s balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- We liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority
- We assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- We evaluated the reasonableness of the Pension Fund actuary’s calculations by comparing them to the outputs of our own auditor’s specialist’s model; and
- We reviewed and tested the accounting entries and disclosures made within the Authority’s financial statements in relation to IAS19.

### What else did we do and further relevant information

We considered outturn information available at the time we undertook our work after production of the Authority’s draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

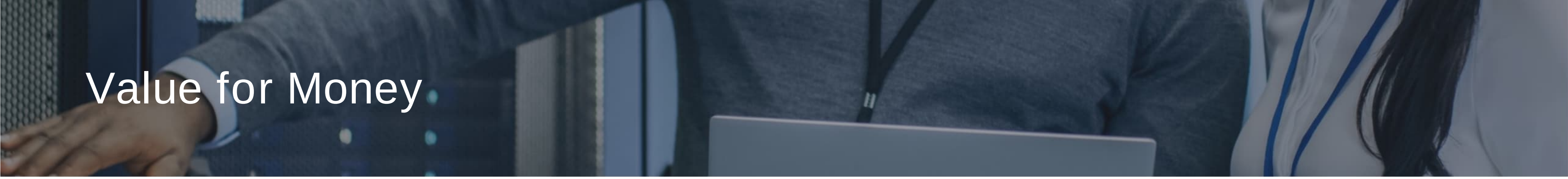
### What is the status of our work?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management’s process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local public sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor’s estimate, to gain assurance. We employed the services of an EY pensions specialist to review the Authority’s IAS 19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson.

After preparation of the draft financial statements by management but prior to the commencement of our audit testing, management notified us of a change being required to the Pension Liability balance of £520k. Our audit testing undertaken has been based on these updated balances.

The work performed by the EY pensions specialist identified a misstatement in some of the assumptions adopted by the actuary and as a result, a further IAS 19 report has been requested by the Council. This report was received by the Council on the 13th December 2024 and at the time of writing, we are completing our testing on this updated report which is different to the balance disclosed in the draft financial statements by £7,022k.

# 03 Value for Money



# Value for Money

## The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

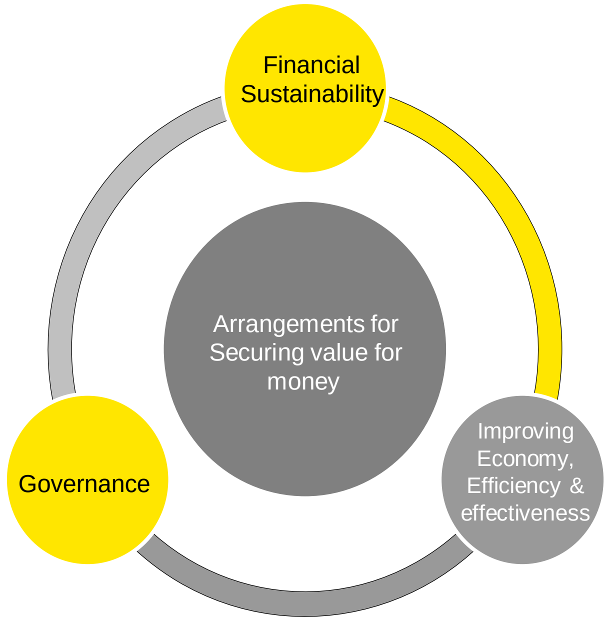
We are required to consider whether the Council has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

32 Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council’s arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements.



# 04 Audit Differences

# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following misstatements greater than £132k which have been corrected by management that were identified during the course of our audit:

- £1,317k understatement of Property, Plant and Equipment balances valued on a DRC basis due to incorrect land values being determined
- £698k understatement of Property, Plant and Equipment balances valued on an EUV basis due to an asset not being subject to a full revaluation in the current year, despite being required in line with the Council’s accounting policies

As noted on page 18 of this report, a misstatement has also been identified in relation to the valuation of the pension liability as at 31/03/2024. Our audit work remains ongoing in this area, although it is expected that this will be adjusted within the financial statements.

Disclosure misstatements have also been identified and corrected within the financial statements, including in relation to the leases disclosure note where the Council is acting as lessor.

# Audit Differences (cont’d)



## Summary of adjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or the rationale as to why they are not corrected be considered and approved by the Audit Committee in line with the wording provided within the Letter of Representation attached in Appendix D:

| | Effect on the current period: | | Net assets (Decrease)/Increase | | | |
|---|---|---|---|---|---|---|
| Uncorrected misstatements 2023/24 (Currency’000) | OCI Debit/(Credit) | Income statement Debit/(Credit) | Assets current Debit/ (Credit) | Assets non-current Debit/ (Credit) | Liabilities current Debit/ (Credit) | Liabilities non-current Debit/ (Credit) |
| Errors | | | | | | |
| Judgemental differences: | | | | | | |
| ► Investment Property Valuations: Judgemental differences were identified in relation of the valuation of 3 investment property assets | 224 | | | (224) | | |
| Cumulative effect of uncorrected misstatements | 224 | | | (224) | | |

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2024.

# 05 Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies in internal control.

We have identified the following weaknesses in internal control, which we do not consider to be a significant deficiency, as well as continued scope for improvement in some areas based on our work undertaken to the date of this report.

<u>Valuation of Property, Plant and Equipment</u>

As part of our work on the valuation of Property, Plant and Equipment in the financial statements, we discovered one asset which had been subject to an impairment review in the current year. However, this asset had not been subject to a full revaluation since 2017/18 and as such, had not been subject to a full asset valuation in the last 5 years in accordance with the Council's accounting policies and as suggested in the CIPFA Code which states in paragraphs 4.1.2.37 and 4.1.2.38 (within the 2023/24 CIPFA Code):

"Where assets are revalued (ie the carrying amount is based on current value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

The items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and the revaluations are kept up to date. A short period for property, plant and equipment is interpreted to mean that assets are normally measured once every five years for each class of assets, provided that current value meets the requirements of paragraph 4.1.2.37. Valuations shall be carried out at intervals of no more than five years."

*Recommendation 1:* Management should ensure that all assets are subject to a full revaluation on a significantly regular basis to ensure material accuracy of the Property, Plant and Equipment valuation in accordance with the entity's own accounting policies and the CIPFA Code.

*Management Response:* A full review of previous valuations will be undertaken to ensure all PPE are revalued every five years (max) and records updated to ensure the date of 5 yearly valuation are adhered to and can be checked by both valuers and accountants.

<u>Preparation of Debtors and Creditors Listings at Year-End</u>

As part of our audit testing of debtors and creditors, we experienced some difficulties in obtaining breakdowns of debtors and creditors balances, showing the outstanding amount at 31st March 2024. In some instances, transaction reports were provided showing transactions posted during the financial year as opposed to outstanding balances at year-end. When listings cannot be provided, or are not provided on a timely basis, this can require additional or alternative procedures to be performed which exceeds those initially planned.

*Recommendation 2:* The Council should ensure that breakdowns of debtor and creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements.

*Management Response:* This has been noted, and the Council will try to ensure that all information is more readily available. Some reports need all transactions to be included as they are unable to be clearly cleansed.

# 06 Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the New Forest District Council Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the New Forest District Council's Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements, although this work remains subject to internal review.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report, although this work remains subject to internal review.

## Whole of Government Accounts

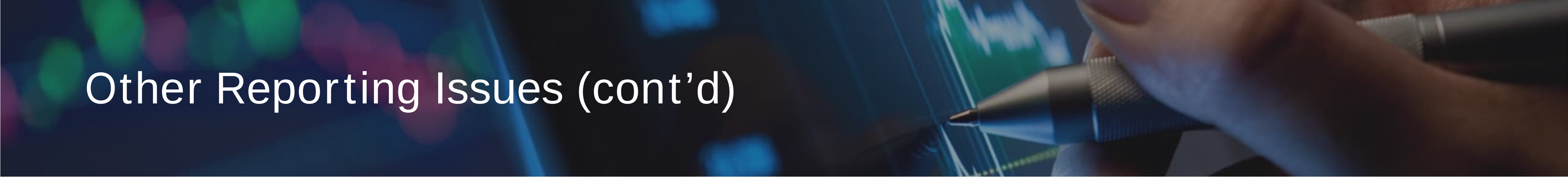
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest.



# Other Reporting Issues (cont’d)

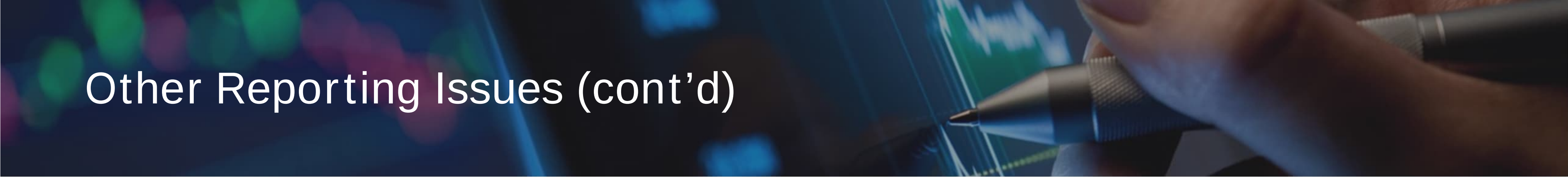
## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have one issue to bring to your attention around the Council’s arrangements for the adoption of the financial reporting standard IFRS 16 Leases which we consider to be a qualitative weakness in the Council’s financial reporting arrangements. IFRS 16 will become effective for the local authorities for the 2024/25 financial year. At the point of writing:

- We have not been provided with a full listing of those leases impacted by IFRS 16.
- The Council has not identified the relevant lease categorisations.
- All significant data points have not been identified, collected, logged and checked.
- Relevant accounting policy choices have not yet been determined.
- Transitional and ongoing accounting arrangements are therefore not yet clear.



# Other Reporting Issues (cont'd)

## Other matters

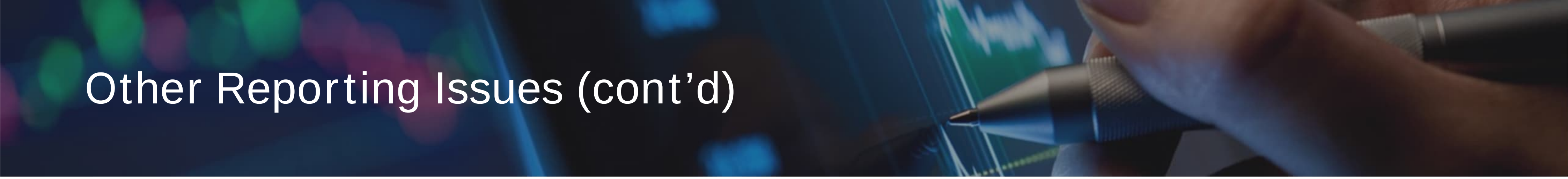
This has meant that the Council has not been able to quantify the likely impact of the transition to IFRS 16 in its 2023/24 financial statements. The disclosure included in the 2023/24 financial statements as part of Note 2, Accounting Standards that have been Issued but not yet Adopted, only notes that the impact has not been assessed and does not explain why assessment of the impact has not been possible. Progress in this area now needs to be accelerated as a matter of urgency.

*Recommendation 3:*

Accelerate the rate of progress in arrangements for the implementation of IFRS 16 so the Council is able to comply fully with the requirements of the standard in its 2024/25 financial statements.

*Management Response:*

Work is ongoing in this area to move it forward as required for the 24/25 year end.



# Other Reporting Issues (cont’d)

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we are intending to disclaim the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities (‘scalability’)
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

Subject to review and conclusion of the audit, we set out the findings and conclusions from our work to implement ISA 315 in the table below.

| Audit Procedures | Audit findings and conclusions |
| --- | --- |
| We performed the following procedures:<br>► We enquired with management as to the relevant IT systems that would impact the statement of accounts for the audit.<br>► We made subsequent enquiries to understand the key IT process for the relevant material IT systems. This included the manage access, manage change and manage operation processes for these IT systems. | ► We identified the relevant material IT systems at the Council which includes the Council’s general ledger system (Unit 4 Agresso).<br>► Our understanding of the IT processes for the Authority’s material IT systems did not result in any additional audit risks. |

# 07 Data Analytics

# Data Analytics

## Data analytics – Journal Entries (Follow Up from 2021/22 Audit)

As part of our 2021/22 audit, we noted the Council initiates the majority of journal entry postings based on budget figures. The amounts are allocated out to multiple business units on a monthly basis through recharges. In order to then record the actual rather than budgeted figures in the financial statements, clearing transactions are posted at year end.

This approach has been followed by the Council for a number of years and while it does not result in misstatements in the accounts, the multiple recharge and budgetary postings lead to difficulties in identifying a clear audit trail when testing a sample of Income and Expenditure transactions. It also makes the process of reconciling financial statements related general ledger codes to subledgers including Payroll and Accounts Receivable significantly more complex and time-consuming, which is a key procedure performed to confirm the completeness of listings.

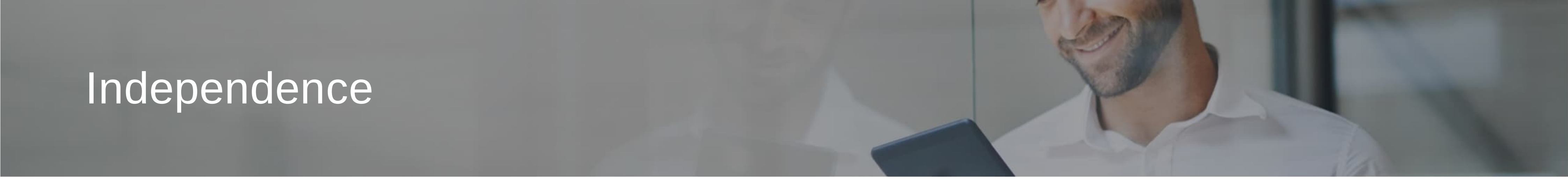
In 2023/24, management revisited its approach in this area. Based on discussions with management, we recognise an intention to post one transaction per year to record these budget transactions, instead of the previous monthly postings. As this was discussed part way through 2023/24, the first 6 months of monthly transactions had been posted and therefore, management elected to post one transaction for the final 6 months.

The understanding obtained as part of the prior audit, and the reduced number of journals, did enable us to identify an efficient method of testing the various populations (namely income and expenditure balances) for the current year audit.

However, the volume of entries remained high, and this continued to require more resources to complete our testing in these areas than we would usually expect.



# 08 Independence



# Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and New Forest District Council, and its directors and senior management and its affiliates, including all services provided by us and our network to New Forest District Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Confirmation

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partner, manager and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that we have communicated with the Council, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed services. There are no non-audit services in relation to the New Forest District Council.

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: EY UK 2024 Transparency Report | EY - UK.



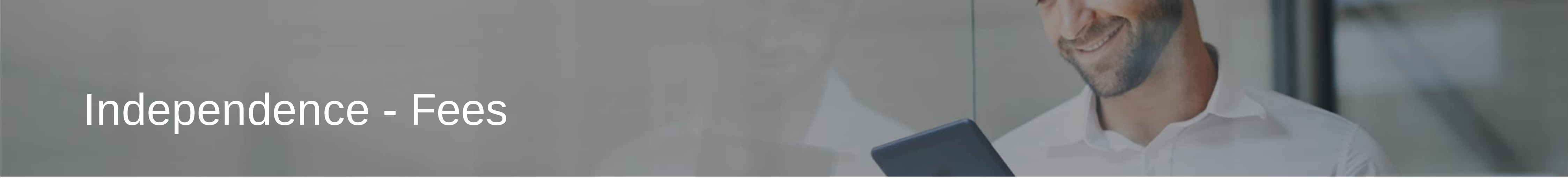
## Relationships

There are no relationships from 1st April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1st April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.



# Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

| | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|
| | £ | £ | £ |
| Total Fee – Scale Fee | 165,261 | 57,121 | 63,956 |
| Scale fee adjustment | TBC – Note 3 | TBC – Note 2 | 31,920 Note 1 |
| Total audit fees | 165,261 | 57,121 | 95,876 |

*All fees exclude VAT*

(1) As reported in our 2021/22 Audit Results Report, we submitted a proposal to PSAA for rebasing of the 2021/22 scale fee and for scale fee variations. The total value of the additional fee request submitted to PSAA, including both rebasing and scale fee variation elements was £48,380. Of this PSAA actually determined an amount of £31,920.

(2) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC (now MHCLG), PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(3) The 2023/24 work is ongoing and a final fee will be determined on completion. This final fee is anticipated to include an adjustment for the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16 as originally set out in our in our Audit Planning Report.

This is subject to change until the audit is complete and all additional scale fee adjustments are subject to PSAA approval.

# 09 Appendices

# Appendix A – Summary of assurances

## Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

| Account area | Assurance rating | Summary of work performed |
|---|---|---|
| Property, Plant and Equipment ('PPE') | Partial* | Our work in this area remains ongoing, however, we expect to have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024. |
| Investment Property | Partial* | Our work in this area remains ongoing, however, we expect to have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over Investment Property additions and disposals in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of Investment Property at 31 March 2024. |
| Long Term Debtors | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Short Term & Long Term Investments | Substantial* | We are still in progress with regards to planned audit procedures on the short-term and long-term investments balance but expect to obtain assurance over the closing balance at 31 March 2024. |
| Short Term Debtors | Substantial* | We are still in progress with regards to planned audit procedures on the short-term debtors balance but expect to obtain assurance over the closing balance at 31 March 2024. |
| Cash and Cash Equivalents | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Short Term & Long Term Borrowing | Substantial | We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024. |
| Short Term Creditors | Substantial* | We are still in progress with regards to planned audit procedures on the short-term creditors balance but expect to obtain assurance over the closing balance at 31 March 2024. |
| Provisions | Substantial* | We are still in progress with regards to planned audit procedures on the provisions balance but expect to obtain assurance over the closing balance at 31 March 2024. |
| Pension Scheme Liability | Substantial* | We are still in progress with regards to our planned audit procedures in this area. Subject to completion of these planned procedures, we expect to obtain assurance over the closing balance at 31 March 2024. |

* Assurance level is subject to completion of our planned audit procedures

# Appendix A – Summary of assurances

## Summary of Assurances

| Account area | Assurance rating | Summary of work performed |
|---|---|---|
| Reserves | None* | Subject to completion of our planned audit procedures, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports. |
| Comprehensive Income and Expenditure Statement (including REFCUS) | Partial* | Subject to completion of our planned audit procedures, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate. |
| Collection Fund Statement | Partial* | Subject to completion of our planned audit procedures, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate. |
| Housing Revenue Account Statement | Partial* | Subject to completion of our planned audit procedures, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate. |
| Financial Statement Disclosures | Partial* | Testing over some financial statement disclosures is ongoing but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the disclosures are accurate. |
| Cash Flow Statement | Partial* | Testing over the cash flow statement is ongoing but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate. |

# Appendix B - Required communications with the Audit Committee



## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

| | | Our Reporting to you |
|---|---|---|
| **Required communications** | **What is reported?** | **When and where** |
| Terms of engagement | Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach | Communication of:<br>• The planned scope and timing of the audit<br>• Any limitations on the planned work to be undertaken<br>• The planned use of internal audit<br>• The significant risks identified<br>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. | External audit update report – 22nd March 2024<br>Audit planning report – 31st May 2024 |
| Significant findings from the audit | • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures<br>• Significant difficulties, if any, encountered during the audit<br>• Significant matters, if any, arising from the audit that were discussed with management<br>• Written representations that we are seeking<br>• Expected modifications to the audit report<br>• Other matters if any, significant to the oversight of the financial reporting process | Audit results report – 24$^{th}$ January 2025 |

# Appendix B - Required communications with the Audit Committee (cont’d)

| | | Our Reporting to you |
|---|---|---|
| Required communications | What is reported? | When and where |
| Going concern | Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:<br>• Whether the events or conditions constitute a material uncertainty related to going concern<br>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements<br>• The appropriateness of related disclosures in the financial statements | Audit results report – 24th January 2025 |
| Misstatements | • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation<br>• The effect of uncorrected misstatements related to prior periods<br>• A request that any uncorrected misstatement be corrected<br>• Material misstatements corrected by management | Audit results report – 24th January 2025 |
| Fraud | • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity<br>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist<br>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:<br>a. Management;<br>b. Employees who have significant roles in internal control; or<br>c. Others where the fraud results in a material misstatement in the financial statements.<br>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected<br>• Matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud<br>• Any other matters related to fraud, relevant to Audit Committee responsibility. | Audit results report – 24th January 2025 |

# Appendix B - Required communications with the Audit Committee (cont'd)



| | | Our Reporting to you |
|---|---|---|
| Required communications | What is reported? | When and where |
| Related parties | Significant matters arising during the audit in connection with the entity's related parties including, when applicable:<br>• Non-disclosure by management<br>• Inappropriate authorisation and approval of transactions<br>• Disagreement over disclosures<br>• Non-compliance with laws and regulations<br>• Difficulty in identifying the party that ultimately controls the entity | Audit results report – 24th January 2025 |
| Independence | Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.<br>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:<br>• The principal threats<br>• Safeguards adopted and their effectiveness<br>• An overall assessment of threats and safeguards<br>• Information about the general policies and process within the firm to maintain objectivity and independence<br>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. | Audit planning report – 31st May 2024<br>Audit results report – 24th January 2025 |
| External confirmations | • Management's refusal for us to request confirmations<br>• Inability to obtain relevant and reliable audit evidence from other procedures. | Audit results report – 24th January 2025 |
| Consideration of laws and regulations | • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur<br>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of | Audit results report – 24th January 2025 |
| Significant deficiencies in internal controls identified during the audit | • Significant deficiencies in internal controls identified during the audit. | Audit results report – 24th January 2025 |

# Appendix B - Required communications with the Audit Committee (cont’d)



| | | Our Reporting to you |
|---|---|---|
| Required communications | What is reported? | When and where |
| Group Audits | • An overview of the type of work to be performed on the financial information of the components<br>• An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components<br>• Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work<br>• Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted<br>• Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. | Audit results report – 24th January 2025 |
| Written representations we are requesting from management and/or those charged with governance | • Written representations we are requesting from management and/or those charged with governance | Audit results report – 24th January 2025 |
| System of quality management | • How the system of quality management (SQM) supports the consistent performance of a quality audit | Audit results report – 24th January 2025 |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | • Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit results report – 24th January 2025 |
| Auditors report | • Key audit matters that we will include in our auditor’s report<br>• Any circumstances identified that affect the form and content of our auditor’s report | Audit results report – 24th January 2025 |

# Appendix C – Outstanding matters

## Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

| Item | Actions to resolve | Responsibility |
| --- | --- | --- |
| Financial Statement Disclosures | EY to complete testing on cash flow statement and financial instruments disclosures. Testing on other financial statement disclosures, including officers remuneration and the expenditure and funding analysis is complete pending internal review. | EY |
| Trade Receivables | EY to complete testing over reconciliation of general ledger balance to subledger balance for one account code. Management to provide support for one account code balance held for EY to review. | EY and Management |
| Short-Term and Long-Term Investments | EY to complete documentation over 3 investment confirmations received. | EY |
| Property, Plant and Equipment (PPE) | EY to complete documentation PPE disclosure notes, as well as testing over PPE disposals, existence, impairments, depreciation and major repairs additions. Some of these procedures may require some input from management. | EY |
| Investment Property | EY to complete testing over the revaluation movements posted during 2023/24. | EY |
| Trade Creditors | EY to complete testing and internal review over Collection Fund creditors and the accumulated absences accrual. | EY |
| Provisions | EY to complete testing over provisions held at 31st March 2024. | EY |
| Pension Scheme Liability | EY to review updated IAS 19 report received from the actuary and adjustments made to the pension liability disclosures once posted by management. | EY and Management |
| Revenue Testing | EY to complete testing over Net Cost of Services income. | EY |
| Payroll Testing | EY to complete testing over a sample of starters and leavers within 2022/23 and 2023/24. | EY |
| Expenditure Testing | EY to complete testing over Net Cost of Services income. | EY |

# Appendix C – Outstanding matters

## Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

| Item | Actions to resolve | Responsibility |
| --- | --- | --- |
| Housing Revenue Account | EY to complete testing over disclosures notes included within the Housing Revenue Account statement. | EY |
| REFCUS | EY to complete testing over REFCUS transactions recorded. | EY |
| IT Applications | Management to provide responses to queries on the IT processes for the identified relevant IT applications. EY to review and document responses received. | EY and management |
| Internal Review | Testing has been completed on a number of areas although is pending internal EY review. These areas include the Annual Governance Statement, Narrative Statement, reserves, taxation and non-specific grant income, the Collection Fund and Related Parties. | EY |
| Whole of Government Accounts | EY to complete Whole of Government Accounts work. | EY |
| Journal Entry Testing | EY to complete testing over journal entry postings made. | EY |
| Going concern review and disclosures | EY central review process and finalisation of disclosures and opinion wording | EY |
| Annual Report and accounts | Management to share updated financial statements and EY to review changes made | EY and management |
| Management representation letter | Receipt of signed management representation letter | Management and those charged with governance |
| Subsequent events review | Completion of subsequent events procedures to the date of signing the audit report | EY and management |

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Financial Statements. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern, officers' remuneration and those relating to our areas of audit focus remain to be finalised and audited.

# Appendix D – Management representation letter

## Management representation letter

### Management Rep Letter

Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
Hampshire
SO15 2BE

This letter of representations is provided in connection with your audit of the consolidated and parent Council financial statements of New Forest District Council ("the Group and Authority") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Council financial statements give a true and fair view of the Group and Council financial position of New Forest District Council as of 31 March 2024 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our consolidated and parent Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and parent Council financial statements. We believe the consolidated and parent Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) for the Group and Council that are free from material misstatement, whether due to fraud or error.

# Appendix D – Management representation letter

## Management representation letter

### Management Rep Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Council financial statements taken as a whole. We have not corrected these differences because of the materiality and the nature of the difference being judgemental, as opposed to finite.
6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.



B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - Involving financial improprieties
   - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Council financial statements
   - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Council financial statements, but compliance with which may be fundamental to the operations of the Group and Council's business, its ability to continue in business, or to avoid material penalties
   - Involving management, or employees who have significant roles in internal control, or others
   - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Council financial statements.

# Appendix D – Management representation letter

## Management representation letter

### Management Rep Letter



3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 33 to the consolidated and parent Council financial statements all guarantees that we have given to third parties.

Management representation letter

Management Rep Letter

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E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in the financial statements. All assets to which the Group and Authority has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and parent Council financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in the consolidated and parent Council financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

1. We confirm that the significant judgments made in making the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation.
3. We confirm that the significant assumptions used in making the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation appropriately reflect our intent and ability to carry out any relevant specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Council financial statements.

# Appendix D – Management representation letter

## Management representation letter

### Management Rep Letter



**H. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

**I. Reserves**

1. We have properly recorded or disclosed in the consolidated and parent Council financial statements the useable and unusable reserves.

**J. Contingent Liabilities**

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and parent Council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and parent Council financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

   (1) Matters of routine, normal, recurring nature (e.g., exam¬inations by bank and insurance examiners, exami¬nations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and parent Council financial statements or as a basis for recording a loss contingency.

**K. Going Concern**

1. Note 46 to the consolidated and parent Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

**L. Subsequent Events**

1. Other than those events described in Note 6 to the consolidated and parent Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Council financial statements or notes thereto.

**M. Group audits**

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Council, subsidiary undertakings and associated undertakings.

**N. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

# Appendix D – Management representation letter

## Management representation letter

### Management Rep Letter

2. We confirm that the content contained within the other information is consistent with the financial statements.

O. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Council, and reflected in the consolidated and parent financial statements.
2. The key assumptions used in preparing the consolidated and parent financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

______________________

(Strategic Director Corporate Resources & Transformation)

______________________

(Chairman of the Audit Committee)

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ED None



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**Audit Committee – 24 January 2025**

# Final Annual Financial Report 2023/24 including Final Annual Governance Statement

| | |
|---|---|
| Purpose | For Decision |
| Classification | Public |
| Executive Summary | This report sets out the requirements and reasoning for the request for delegated authority to be given for the approval of the final 2023/24 Annual Financial Report including the Letter of Representation and additionally recommends that the final Annual Governance Statement 2023/24 be approved. |
| **Recommendation(s)** | **It is recommended that Audit Committee:**<br><br>**1. Agree that the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, be given delegated authority to review and consider the 2023/24 Audit Completion Report from the Council's external auditor.**<br><br>**2. Agree that further to the review, the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, be given delegated authority to approve:**<br><br>**a. the Annual Financial Report for 2023/24 and**<br><br>**b. the 2023/24 letter of representation**<br><br>**3. Agree the Final Annual Governance Statement 2023/24 be approved by** |

| | |
|---|---|
| | **the Chief Executive and Leader of the Council.** |
| Reasons for recommendation(s) | The Council is required to prepare, and have externally audited, an Annual Financial Report for each year and to prepare an Annual Governance Statement.<br>This report seeks delegated authority for the Strategic Director Corporate Resources and Transformation (Section 151 Officer) to approve the final Annual Financial Report for 2023/24 and the associated letter of representation and additionally explains the reasons for the approach taken for this financial year's audit.<br>Additionally, it is a requirement for the Final Annual Governance Statement to be approved. |
| Ward(s) | All |
| Portfolio Holder(s) | Councillor Jeremy Heron – Finance and Corporate |
| Strategic Director(s) | Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer) |
| Officer Contact | Paul Whittles<br>Assistant Director – Finance<br>02380 285766<br>paul.whittles@nfdc.gov.uk |

**Introduction and background**

1. This report provides an update to the Audit Committee on the audit of the 2023/24 Annual Financial Report and set out recommendations for the conclusion of the audit process.

2. Previous reports to the Audit Committee have set out the background to the national backlog of local authority audits, related to the 2023/24 and prior financial years.

3. For New Forest District Council all Annual Financial Reports, up to and including the 2022/23 financial year, have been produced and approved as final.

4. The government instigated a number of back stop dates to resolve the audit backlog. The backstop date for 2023/24 audits will be 28 February 2025.

**Authorisation of the financial statements**

5. In order to be in a position to approve the suite of financial statements relevant to 2023/24 the Council has or will undertake these steps:

   a. Approval of the Annual Financial Report for audit by the s151 Officer, this was completed on 31 May 2024.

   b. Publishing the Annual Financial Report, this was completed on 31 May 2024.

   c. Holding a minimum 30-day public inspection period for the Annual Financial Report, this was undertaken between 3 June and 12 July 2024.

   d. Providing updated assurances related to the year in question, this information has been sought from the Chairman of the Audit Committee, s151 Officer, Monitoring Officer and Internal Audit Manager. No issues were identified that require reporting.

   e. Reviewing and providing comments on the external auditor's Audit Completion Report – this is required to be done prior to the approval of the accounts in a timely manner in order to meet the 28 February 2025 backstop date.

   f. Approving a final Annual Financial Report in a timely manner in order to meet the 28 February 2025 backstop date and is a subject of this report. This will be signed by the Chairman of the Audit Committee and s151 Officer.

   g. Signing a Letter of Representation, normal practice is to complete this at the time the audit is finalised. This is a subject of this report and will be signed by the Chairman of the Audit Committee and s151 Officer.

   h. Signing the final Annual Governance Statement. This is a subject of this report and will be signed by the Chief Executive and Leader of the Council.

i. Publishing the final auditor’s report and completion report with the final approved Annual Financial Report, plus the Annual Governance Statement for 2023/24, this is required to be completed by 28 February 2025.

6. The Annual Financial Report including the Annual Governance Statement is attached as an annex to this report. Ernst & Young are anticipating that their opinion will be issued on the accounts as they are currently presented.

7. One update has been made to the Annual Governance Statement since the draft was presented to the committee in May 2024. The update includes an additional paragraph (paragraph 23) to reflect the significant work being undertaken in relation to the roll-out of the new waste strategy.

8. To meet the expected backstop date, it is recommended that delegated authority be given to the Section 151 Officer, in consultation with the Chairman of the Audit Committee, to approve the final Annual Financial Report for 2023/24 and review of the final Audit Completion Report from Ernst & Young and to recommend that the Annual Governance Statement be signed by the Chief Executive and Leader of the Council.

**Corporate plan priorities**

9. The Annual Financial Report is a public facing document that sets out a number of key financial figures related to the Council’s financial performance and sustainability.

10. The external auditor’s report provides assurance to stakeholders as to the effectiveness of the Council’s internal control environment and its efficiency in securing value for money in the use of public funds.

11. It provides assurance on the financial standing of the Council and ensures that commitments to corporate plan can be delivered with adequate and sustainable financing.

12. Ensuring the council is being financial responsible, as evidenced by independent external audits, underpins all of our corporate plan themes (People, Place and Prosperity).

**Options**

13. The options in this report are:

14. Option 1: to give delegated authority to the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in

consultation with the Chairman of the Audit Committee, to review and consider the 2023/24 Audit Results Report and to approve the 2023/24 Annual Financial Report and associated letter of representation; and for the Annual Governance Statement 2023/24 be approved by the Chief Executive and Leader of the Council in order to meet the statutory deadlines.

15. Option 2: to call an additional audit committee meeting in line with the backstop date, with the risk that matters would remain unresolved at this time thereby requiring either delegation to be approved or further committee meetings to be scheduled.

16. Option 3: not to give the delegated authority to the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to review and consider the 2023/24 Audit Results Report and not to approve the 2023/24 Annual Financial Report and associated letter of representation, and not to approve the signing of the Annual Governance Statement, which could lead to the council not complying with its statutory duties by the deadline.

**Options Appraisal**

17. The Annual Financial Report was prepared in accordance with CIPFA guidance and the Accounting Policies that were approved by the Audit Committee. The processes used were the same as those that have produced robust accounts in previous years.

18. The lack of a thorough external audit inspection of the 2022/23 Annual Financial Report did increase the risk that a material mis-statement may have existed and was not identified. No changes were requested by Ernst & Young LLP from their work that was undertaken regarding the Annual Financial Report 2022/23, there were however some changes as a result of the conclusion of the audit of the Annual Financial Report for 2021/22.

    Therefore, a disclaimed opinion is anticipated for the 2023/24 Annual Financial Report as Ernst & Young LLP were unable to verify the balances brought forward from the 2022/23 Annual Financial Report.

19. The next meeting of the audit committee is not until after the 28 February 2025 backstop deadline and Ernst & Young anticipate completing their work within this timescale.

20. Therefore, Option 1, to give delegated authority to the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to review and consider the 2023/24 Audit Results Report and to

approve the 2023/24 Annual Financial Report and associated letter of representation, and for approval of the Annual Governance Statement by the Chief Executive and Leader of the Council is the recommended option.

21. Any changes to the accounts undertaken using the proposed delegated authority, together with the issued opinion for the 2023/24 Annual Financial Report will be reported to the next meeting of this Committee.

**Consultation undertaken**

22. Consultation between the council and our external auditors and advisors has been continuous throughout as the audit has developed.

23. Audit Committee has been appraised of the progress to date at each opportunity.

**Financial and resource implications**

24. The Annual Financial Report has been prepared by officers using existing resources.

**Legal implications**

25. There are no legal implications arising as a result of the recommendations in this report.

**Risk assessment**

26. An evaluation of the risks indicates that the existing controls in place mean that no significant risks that been identified at this time.

**Environmental / Climate and nature implications**

27. There are no environmental or climate and nature implications as a result of this report.

**Equalities implications**

28. There are no equality matters arising as a result of this report.

**Crime and disorder implications**

29. There are no crime and disorder matters arising as a result of this report.

**Data protection / Information governance / ICT implications**

30. There are no data protection, information governance or ICT implications arising as a result of this report.

| **Appendices:** | **Background Papers:** |
| --- | --- |
| Draft Annual Financial Report 2023/24 including Annual Governance Statement 2023/24 | None |

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# DRAFT
# Annual

# Financial

# Report

# **2023/2024**



NEW FOREST DISTRICT COUNCIL

# ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2024

**CHAIRMAN OF THE COUNCIL**
Councillor D Hawkins

**LEADER OF THE COUNCIL**
Councillor J Cleary

**CHIEF EXECUTIVE** Mrs K Ryan

**CHIEF FINANCE OFFICER (s151)** Mr A Bethune

## CONTENTS

## Notes to the Accounts (index)

## STATEMENT OF RESPONSIBILITIES

### 1. The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Responsible Financial (s151) Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the statement of accounts.

***I confirm that these accounts were approved by Members of the Audit Committee at the meeting held on 31 May 2024 with formal approval by the Chairman on TBC.***

**Cllr A Alvey**
**Chairman of the Audit Committee** **Date TBC**

### 2. The Responsible Financial (s151) Officer's Responsibilities

The Responsible Financial (s151) Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Responsible Financial (s151) Officer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent; and

- complied with the Code of Practice.

The Responsible Financial (s151) Officer has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

***I certify that the statement of accounts presents a true and fair view of the financial position of New Forest District Council at 31 March 2024 and the income and expenditure for that year ended.***

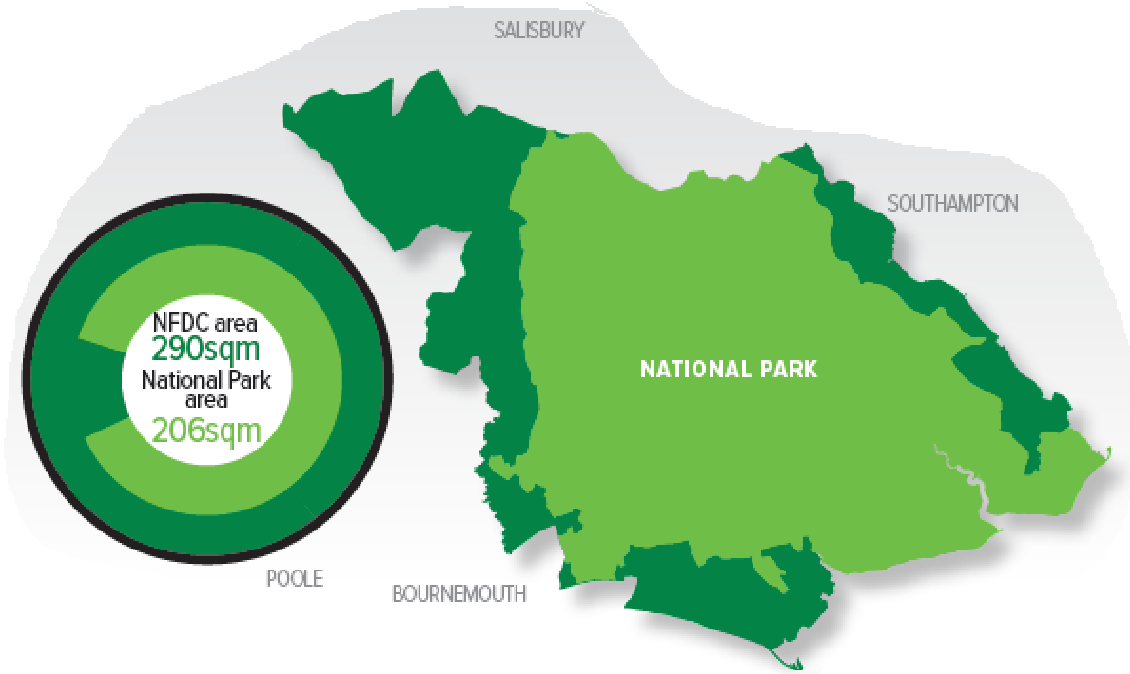
**Mr A Bethune FCCA**
**Chief Finance Officer (s151)** **Date TBC**

## NARRATIVE STATEMENT

### 1. Foreword from the Council's Responsible Financial Officer

**The New Forest**

The local government administrative area of New Forest District Council (290 square miles) includes the New Forest National Park (206 square miles).




Within the district there are 145 square miles of Crown land, managed by Forestry England. The district is one of the most populated in England (circa 180,000) not to be a unitary authority and within its boundaries there are 37 active Town and Parish Councils. Hampshire County Council is responsible for upper tier services.

The New Forest is home to the fourth largest economy in the Hampshire County Council. In 2020, the New Forest economy generated some £4.4 billion in Gross Value Added. The New Forest has 9,110 businesses, 13% of all businesses in Hampshire. 89% of these businesses are micro in size employing fewer than 10 people. Just over two thirds of the New Forest's businesses (68%) are broadly located in urban areas and close to one third in rural areas (32%). Leisure, tourism and marine along with their associated supply chains are significant employment and economic sectors within the district. The concentration of manufacturing in the New Forest is above the national average with the construction sector also significant across the district.

Average earnings for New Forest residents are lower than the median for the South East. This, and the high average house price, results in significant cross commuting between those who work in the forest but cannot afford to live there, and those who can afford to live within the district but work elsewhere.

## NARRATIVE STATEMENT

The district council is located between the two major conurbations of Southampton and Bournemouth. Sites on the New Forest Waterside are key contributors to the successful delivery of the Solent Freeport which is intended to unlock billions of pounds of investment, create thousands of jobs and will secure the future of the Port of Southampton as a globally important trading hub. The district council has remained engaged in the activity of the Freeport throughout 2023/24, with regular attendance at Solent Freeport Board meetings and sub-committees.

Housing, and particularly affordable housing, for local people is a particular issue in the district. The District Council manages its own housing stock (over 5,000 properties) and the Council's allocation policy manages the waiting list to ensure those in the greatest need have the best chance of securing a Council owned property.

**Corporate Plan and Council Priorities**
The Council is led by 48 Councillors and elections took place in May 2023. The current Political make-up of the Council is: 26 Conservative, 14 Liberal Democrats, a new Independent group of 4, a Green Group of 3 and a single Labour councillor.

Community Matters, the Council's Corporate Plan for 2020-2024, focuses on the challenges faced and the plans to address them. It recognises the ongoing financial constraints, whilst building on the strong financial position created and sets priorities that matter to the people of the district to deliver a prosperous New Forest and put the community first.

The plan's vision is to secure a vibrant and prosperous New Forest, guided by the people we serve and working in partnership with others to enhance the quality of lives for all by:

- Understanding local needs and creating a balanced, healthy community who feel safe, supported and have access to services;
- Protecting the special character of the New Forest and responding pro-actively to environmental challenges; and
- Working with others to maintain a vibrant local economy that brings opportunities to the area.

Key achievements realised during 2023/24 against the Portfolios are outlined in the Annual Performance Report, to be reported to Cabinet in Summer 2024.

During 2023/24 work commenced on the new Corporate Plan to cover the period 2024-2028. The new plan was adopted by the Council in April 2024, and future performance reporting will be aligned to the priorities as outlined within it.

A significant undertaking throughout 2023/24 has been the continued work on the roll-out of the adopted Waste Strategy. The Council's Garden Waste service was updated during the year, with new software supporting a new wheeled bin service, replacing a heavily manual bag-based system. Uptake for the new service has been strong. In support of the next phase of the waste strategy roll-out, conversations have been on-going across the County in attempting to rationalise the whole service cost, from collection through to disposal. The Council's project to develop a new depot facility at Hardley commenced, with construction well underway at the yearend point.

### Future Financial Outlook

The Council continues to deliver essential front-line services to the circa 180,000 residents of the New Forest, despite significant funding reductions from Central Government since austerity measures were introduced, now over 14 years ago. Significant efficiencies have been realised over the period and income generation has increased. This Council has an excellent track record of delivering the same, or in some instances improved services, at a lower overall cost.

The Council is also working on the delivery of an adopted Housing Strategy, in which the Council has targeted the ownership of 600 additional homes by 2026 and is prepared to spend circa £100 million over this period in delivering this target. External Borrowing was arranged during 2023/24 to help support the financing of this significant capital programme.

The Council has a well-established Housing Revenue Account, which is well placed to support and manage additional stock numbers. As the largest registered provider of social housing in the district, the Council recognises it has an important role to play in the delivery of new affordable homes to those wanting to work and live in the New Forest.

The latest Medium Term Financial Plan, that accompanied the setting of the 2024/25 budget, highlighted the likely impact that the Fair Funding Review and the potential that a 'hard' Business Rates reset will have on the Council's finances. Despite this, the plan outlined options to address the funding gap and demonstrate the ability to set a balanced budget through to 2027/28. Options include efficiency savings (to be borne from the Council's Transformation Strategy), income growth through yield, the generation of new additional income through the Commercial and Residential Property Strategies and Council Tax increases.

### Group Accounts

The Council prepares Group Accounts reflecting the Wholly Owned Group of 'Appletree Property' companies. It consists of Appletree Holdings Limited and two subsidiaries. Appletree Property Lettings Ltd concerns itself with the acquisition and letting of open market properties, and is an activity aligned to the Council's General Fund as opposed to the Housing Revenue Account. The activity aims to support the private rented sector; and enables the Council to provide rental properties at all tenures, considering affordable and social rents are also offered through the Housing Revenue Account. Appletree Residential Developments Limited is a dormant company. An annual report is presented to the Council's Resources and Transformation Overview and Scrutiny Panel on the activity of the Group of Companies.

### Climate and Nature Emergency

During 2021/22, the Council declared a Climate and Nature Emergency. A Climate Action Manager was recruited in 2022, and subsequently an initial action plan drawn up and adopted. The Council's budget includes £750,000 over 3 years to promote activity in this area.

**Utility and Cost of Living Crisis**

In reflection of continued high utility costs, utility budgets for 2023/24 were uplifted, with spend for the year being managed within those increased budgets. The Council was also able to support its Leisure Operator as a result of exceptionally and unforeseen high utility costs.

The Council's internal 'Cost of Living' group met regularly throughout 2023/24 and an action plan was presented to the Housing & Communities Overview and Scrutiny panel in March 2024.

## 2. The Statement of Accounts

The accounts comprise the following statements:

- **Comprehensive Income and Expenditure Statement**

  This statement shows the accounting cost in the year of providing General Fund and Housing Revenue Account services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and housing rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation and rents position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

  **Expenditure and Funding Analysis**
  **(supporting note to the Comprehensive Income and Expenditure Statement)**

  The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Movement in Reserves Statement**

  This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and that statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

- **Balance Sheet**

This statement shows the value, as at the Balance Sheet date, of the Council's recognised assets and liabilities. 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 is usable reserves, i.e. those reserves that the Council may use to provide services, subject to any statutory limitations and the need to maintain prudent reserve levels. The second category is reserves that the Council cannot use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. 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''.

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the 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 the 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.

- **Housing Revenue Account (HRA) Income and Expenditure Statement**

This statement shows the economic cost in the year of providing Council Housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents. The Council charges rents to cover net expenditure incurred in accordance with regulations, which is different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the HRA section of the Movement in Reserves Statement.

- **Collection Fund**

This is an agent's statement that reflects the statutory obligation of the Council, as a billing Authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates, due to the complexity of non-domestic rates transactions under the Retention Scheme that was introduced in 2013/14.

## 3. Financial Performance during the Year

As at 31 March 2024 the Council had net assets of £429 million.

The majority of this net worth is within Council Dwellings, valued at £426 million, offset with a debt liability of £124 million. Operational Land and Buildings total £76 million, Investment Properties £30 million and other long-term assets and investments total £31 million. Cash and short-term investments total £23 million. The Council has a net pension liability of £12.213 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £52 million (a reduction of £1 million from 2022/23), with £4 million of the total being earmarked to support the visible delivery of the General Fund (£3 million) and Housing Revenue Account (£1 million).

- ### General Fund

  This section provides a summary of General Fund performance for the year in a simplified format that is consistent with the Council's published revenue budget and in a format used for operational budget monitoring throughout the year. All actual figures are included within the Comprehensive Income and Expenditure Statement.

  The 2023/24 original net budget requirement for the General Fund was £22.468 million, an increase of £1.794 million from 2022/23. The Council's budget anticipated being funded £14.3 million from Council Tax (including a £5 increase) and £7.3 million from retained business rates.

  Net income and expenditure variations in services during the year were £24,000 (£1.598 million net underspend in services offset by direct transfers to reserves of £1.621 million). In addition, additional interest earnings of £2.132 million, a VAT refund of £668,000 and additional business rates income of £702,000 enabled financing of capital to be increased by £961,000, £1.5 million to be transferred to a new Corporate Priorities Reserve, the Treasury Management Reserve to be increased by £262,000 and £765,000 to be transferred to the Capital Programme Reserve.

| | Original Budget | Actual | Variation |
|---|---|---|---|
| | £000 | £000 | £000 |
| Net Service Expenditure | 21,029 | 19,431 | (1,598) |
| VAT Refund (Net of Assessment) | 0 | (668) | (668) |
| Revenue Financing of Capital | 2,576 | 3,537 | 961 |
| Interest Earnings (Net) | (837) | (2,969) | (2,132) |
| Other Unringfenced Government Grants | (16) | (25) | (9) |
| Net Budget Requirement | 22,752 | 19,306 | (3,446) |
| Transfer to/(from) Earmarked Revenue Reserves | (284) | 3,099 | 3,383 |
| Transfer to/(from) Capital Programme Reserve | 0 | 765 | 765 |
| Contributions to/(from) Reserves | (284) | 3,863 | 4,147 |
| **General Fund Budget** | **22,468** | **23,170** | **702** |
| Council Taxpayers | (14,020) | (14,020) | 0 |
| Council Tax Support Grants | (854) | (854) | 0 |
| Collection Fund from previous years - Council Tax | (262) | (262) | 0 |
| Non-Domestic Rates Redistribution | (7,722) | (7,665) | 57 |
| Collection Fund from previous years - Business Rates | 390 | 390 | 0 |
| Transfer to/(from) Business Rates Equalisation Reserve | 0 | (759) | (759) |
| **(Increase)/Decrease in General Fund Balance** | **0** | **(0)** | **(0)** |

- ### Housing Revenue Account

The Housing Revenue account deficit for 2023/24 was £528,000 compared with an originally budgeted deficit of £150,000. Income was £358,000 higher than originally budgeted and supervision and management costs £500,000 lower than estimate. The net savings were offset by increased levels of expenditure on Repairs and Maintenance of £310,000, additional Capital Financing costs of £229,000 and Other Expenditure £205,000, in the main due to increased provisions for rent arrears. The balance on the account on 31 March 2024 was £1 million, after allowing for additional Revenue Financing of Capital (Depreciation) costs of £492,000 and the transfer of £528,000 from earmarked reserves. The budget for 2024/25 anticipates a break-even position.

| | Original Budget | Actual | Variation |
|---|---|---|---|
| | £000 | £000 | £000 |
| Income | (32,553) | (32,911) | (358) |
| Expenditure: | | | |
| Repairs and Maintenance | 6,096 | 6,406 | 310 |
| Supervision and Management | 9,121 | 8,621 | (500) |
| Capital Financing Costs | 7,547 | 7,776 | 229 |
| Other Expenditure | 239 | 444 | 205 |
| | (9,550) | (9,664) | (114) |
| Revenue Financing of Capital | 9,700 | 10,192 | 492 |
| **(Surplus)/Deficit** | **150** | **528** | **378** |
| Transfer to/(from) Earmarked Revenue Reserves | (150) | (528) | (378) |
| **(Increase)/Decrease in Housing Revenue Account Balance** | **(0)** | **0** | **0** |

## 4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £12.213 million, a reduction of £8.949 million from 31 March 2023. The reduction has arisen following the triennial review in 2022, an increase in the discount factor and a reduction in CPI assumption used, all of which have reduced the liabilities significantly. Whilst the deficit has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the working lives of employees.

## 5. Long Term Asset Impairments/Revaluations

In 2023/24 net increases in asset values credited to the Income and Expenditure Statement were £7.687 million and transfers from revaluation reserve were £353,000. These were offset by capital expenditure not enhancing value of £20.434 million, to arrive at a net impairment of £12.394 million. This compares with a net impairment of £7.198 million in 2022/23. These items are reflected in the Net Cost of Services. In addition, a net £31.620 million was credited to the Revaluation Reserve (£34.359 million in 2022/23).

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£000** | **£000** |
| **Income and Expenditure Statement / Capital Adjustment Account** | | |
| Revaluation Increases | (11,095) | (12,118) |
| Revaluation Decreases | 1,427 | 4,431 |
| Net Revaluation (Increases)/Decreases | (9,668) | (7,687) |
| Transfer to/(from) Revaluation Reserve | 0 | (353) |
| Capital Expenditure not enhancing asset value | 16,866 | 20,434 |
| **Total Income and Expenditure Statement Impairments** | **7,198** | **12,394** |
| | | |
| **Revaluation Reserve** | | |
| Revaluation Increases | (35,498) | (1,645) |
| Revaluation Decreases | 1,139 | 32,912 |
| Transfer to/(from) Capital Adjustment Account | 0 | 353 |
| **Total Revaluation Reserve** | **(34,359)** | **31,620** |
| | | |
| **Total Impairments/Revaluations** | **(27,161)** | **44,014** |

## 6. Capital Expenditure

The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original Capital Programme for 2023/24 (including the gross value of the Coastal Regional Monitoring Programme) was £42.641 million. This was initially supplemented by rephasings of £1.128 million from 2022/23. A review of the programme during the year, as reported through Financial Monitoring, reduced the approved budget to £41.902 million. Actual expenditure of £34.542 million was £7.360 million less than the last approved budget, including £4.692 million of schemes rephased into future years.

| | Original Budget | Expenditure | Variance |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Housing Revenue Account** | | | |
| Major Repairs | 11,260 | 11,259 | (1) |
| Public Sector Disabled Adaptations | 950 | 1,034 | 84 |
| Acquisition and Development Programme | 15,200 | 13,979 | (1,221) |
| Environmental Enhancements | 200 | 110 | (90) |
| | 27,610 | 26,382 | (1,228) |
| **Community Safety and Wellbeing** | | | |
| Health and Leisure Centres | 0 | 146 | 146 |
| | 0 | 146 | 146 |
| **Environment and Sustainability** | | | |
| Coast Protection* | 2,751 | 1,854 | (897) |
| Waste Strategy Container Rollout | 592 | 529 | (63) |
| Public Conveniences | 519 | 621 | 102 |
| Sustainability Fund | 250 | 0 | (250) |
| Cemeteries | 0 | 7 | 7 |
| | 4,112 | 3,011 | (1,101) |
| **Finance and Corporate** | | | |
| Depots | 4,875 | 1,729 | (3,146) |
| Commercial Property Investment | 250 | 115 | (135) |
| Vehicles, Plant and Equipment | 3,212 | 506 | (2,706) |
| | 8,337 | 2,350 | (5,987) |
| **Housing and Homelessness** | | | |
| Private Sector Disabled Adaptations/Home Repair Loans | 1,300 | 1,341 | 41 |
| | 1,300 | 1,341 | 41 |
| **Leader** | | | |
| Rural England Prosperity Fund | 240 | 9 | (231) |
| UK Shared Prosperity Fund | 42 | 34 | (8) |
| | 282 | 43 | (239) |
| **Planning and Economy** | | | |
| Open Space | 202 | 277 | 75 |
| Mitigation Schemes | 798 | 992 | 194 |
| | 1,000 | 1,269 | 269 |
| | | | |
| | **42,641** | **34,542** | **(8,099)** |
| Less: | | | |
| Coastal Regional Monitoring Programme* | (2,484) | (1,674) | 810 |
| | **40,157** | **32,868** | **(7,289)** |

The actual expenditure was financed by:

| | £000 | % |
|---|---|---|
| Capital Reserve | 2,333 | 7.10 |
| Revenue Contributions to Capital | 1,807 | 5.50 |
| Loan - General | 8,652 | 26.32 |
| Capital Receipts | 3,000 | 9.13 |
| Grant | 5,615 | 17.08 |
| Developers' Contributions | 1,012 | 3.08 |
| Community Infrastructure Levy | 257 | 0.78 |
| Other (HRA Repairs and Maintenance) | 10,192 | 31.01 |
| | **32,868** | **100.00** |

## 7. Funding of Future Capital Expenditure

The level of capital expenditure is reviewed and approved annually through the Capital Strategy, in accordance with the estimated resources available.

As at 31 March 2024 the Council had usable reserves/receipts of £36.819 million for capital expenditure purposes (Housing Acquisitions and Development Reserve £5.317 million, Capital Programme Reserve £10.573 million, Developers' Contributions and Community Infrastructure Levy £12.384 million, Capital Grants Unapplied £2.498 million and Capital Receipts Reserve £6.047 million). These reserves may be supplemented by loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts.

The approved original capital expenditure budget for 2024/25 is £48.959 million, including £32.380 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2024/25 will be sufficient to finance the Council's planned expenditure.

In February 2017, the Council approved a strategy to invest in commercial property. The strategy set out a £30 million fund and an intention to invest within the District for the purpose of economic redevelopment, support and regeneration, and income generation. Following a number of successful acquisitions and the development of the Platinum Jubilee Business Park, the level of approved investment was increased by £20 million, to £50 million, in December 2022. No acquisition or development activity was undertaken during 2023/24. In December 2017, the Council also approved a strategy to invest up to £10 million in residential property, giving it the opportunity to become a private sector landlord with the benefit of a proven track record in rental property management. The financing of the future capital expenditure in relation to the roll-out of both investment strategies will be an appropriate mix of use of capital reserves, internal and prudential borrowing.

## 8. Current Economic Climate / Future Service Delivery

The Council's General Fund balance reserve as shown within these 2023/24 accounts and as included in the setting of the 2024/25 budget is £3 million and is available to support the budget and delivery of services in any given year. Other General Fund earmarked reserves total £21.973 million. The Housing Acquisitions and Development Reserve balance is £5.317 million and the Housing Revenue Account balance is £1 million. In addition, the Housing Revenue Account ICT reserve is £185,000 as at 31 March 2024.

The Council's Medium Term Financial Plan as adopted in February 2024 included a forecast on the latest expectations with regards to Retained Business Rate income, pay and price expenditure pressures, and laid out areas of work underway that would make a significant contribution towards achieving a balanced budget over the Medium Term.

Pay award pressures will continue into 2024/25 as the government continues to want to increase the National Living Wage. A base assumption of a percentage uplift was included in the detailed budget planning for 2024/25, and a separate pay award contingency figure allowed for in addition. The National Joint Council's current offer falls inside the Council's budgeted pay award allowance.

In February 2021, the Council made a decision to contract a partner to operate and maintain the District Council's five Leisure Centres to commence on 1 July 2021 for an 11 year period with an option to extend for a further 4 years.

### 9. National Non-Domestic Rates (Business Rates)

During 2022/23 and 2023/24 the Government granted business rates relief to retail, hospitality and leisure services and compensated Councils for these reliefs with additional Section 31 grant.

The legislation that governs Collection Fund accounting means that these reliefs result in a deficit in the Collection Fund in the year, which will not be charged to the Council's General Fund until the following year. The additional S31 grant is credited to the Council's General Fund in the year that it is received, resulting in an inflated year end General Fund position.

The reliefs are shown as a deficit within the Collection Fund Adjustment Account. £1.750 million was transferred from the Business Rates Reserve in 2023/24 for the impact from 2022/23; and £990,000 was transferred into the Reserve in 2023/24 to cover the impact on the General Fund in 2024/25.

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| Restated 2022/23 | | | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|
| Gross Expend £000 | Gross Income £000 | Net Expend £000 | | Note | Gross Expend £000 | Gross Income £000 | Net Expend £000 |
| 10,095 | (3,029) | 7,066 | Community Safety and Wellbeing | | 5,144 | (2,823) | 2,321 |
| 18,046 | (7,490) | 10,556 | Environment and Sustainability | | 17,349 | (7,970) | 9,379 |
| 35,602 | (30,437) | 5,165 | Finance and Corporate | | 34,146 | (29,873) | 4,273 |
| 10,138 | (6,354) | 3,784 | Housing and Homelessness | | 9,084 | (6,956) | 2,128 |
| 698 | (135) | 563 | Leader | | 1,418 | (360) | 1,058 |
| 6,196 | (2,006) | 4,190 | Planning and Economy | | 5,432 | (1,814) | 3,618 |
| 80,775 | (49,451) | 31,324 | General Fund | | 72,573 | (49,796) | 22,777 |
| 29,402 | (29,863) | (461) | Housing Revenue Account | | 38,293 | (32,286) | 6,007 |
| **110,177** | **(79,314)** | **30,863** | **Cost of Services** | | **110,866** | **(82,082)** | **28,784** |
| | | | **Other Operating Expenditure** | | | | |
| 6,987 | | | Town and Parish Council Precepts | | 7,548 | | |
| | (2,078) | | (Gains)/Losses on the disposal of Non-Current Assets | | | (1,523) | |
| | 0 | | VAT Assessment / (Refund) | | | (668) | |
| | | **4,909** | **Total Other Operating Expenditure** | | | | **5,357** |
| | | | **Financing and Investment Income and Expenditure** | | | | |
| | | | Interest Payable and Similar Charges: | | | | |
| 10 | | | - General Fund | | 4 | | |
| 4,099 | | | - HRA | | 4,731 | | |
| | (3) | | Expected Credit (Gain)/Loss on Investments | | 0 | | |
| 1,768 | | | Changes in the fair value of Investments | | 321 | (90) | |
| | (1,867) | | Other Investment Income | | | (3,585) | |
| 2,221 | | | Net interest on the net defined benefit liability/(asset) | 35 | 786 | | |
| | (413) | | Income, expenditure and changes in the fair value of Investment Properties | 10 | | (716) | |
| | | **5,815** | **Total Financing and Investment Income and Expenditure** | | | | **1,451** |
| | | | **Taxation and Non-Specific Grant Income** | | | | |
| | (20,678) | | Council Tax Income (incl. Parish precepts) | | | (21,693) | |
| | (5,802) | | Non-Domestic Rates Income and Expenditure | 37 | | (8,034) | |
| | (833) | | Unringfenced Government Grants | 37 | | (879) | |
| | (5,765) | | Capital Grants and Contributions | 37 | | (4,946) | |
| | | **(33,078)** | **Total Taxation and Non-Specific Grant Income** | | | | **(35,552)** |
| 125,262 | (116,753) | **8,509** | **(Surplus)/Deficit on the Provision of Services** | 5 | 124,256 | (124,216) | **40** |
| | (34,358) | | (Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets | | | 31,620 | |
| | (73,466) | | Re-measurement of the defined benefit liability/(asset) | 35 | | (9,958) | |
| | | **(107,824)** | **Other Comprehensive Income and Expenditure** | | | | **21,662** |
| | | **(99,315)** | **Total Comprehensive Income and Expenditure** | | | | **21,702** |

The Council adopted a new Portfolio structure in 2023/24, therefore the 2022/23 prior year comparators have been restated.

Mr A Bethune FCCA – Chief Finance Officer (S151)  Date TBC

# EXPENDITURE AND FUNDING ANALYSIS

**(supporting note to the Comprehensive Income and Expenditure Statement)**

| | Income and Expenditure chargeable to the General Fund and HRA | Adjustments between the Funding and Accounting Basis | Net Expenditure for the equivalent amounts in the Comprehensive Income and Expenditure State |
|---|---|---|---|
| | £000 | £000 | £000 |
| **2023/24:** | | | |
| Community Safety and Wellbeing | 3,093 | (772) | 2,321 |
| Environment and Sustainability | 8,128 | 1,251 | 9,379 |
| Finance and Corporate | 4,222 | 51 | 4,273 |
| Housing and Homelessness | 2,150 | (22) | 2,128 |
| Leader | 1,005 | 53 | 1,058 |
| Planning and Economy | 3,573 | 45 | 3,618 |
| General Fund | 22,171 | 606 | 22,777 |
| Housing Revenue Account | (6,605) | 12,612 | 6,007 |
| **Cost of Services** | **15,566** | **13,218** | **28,784** |
| Total Other Operating Expenditure | 6,880 | (1,523) | 5,357 |
| Total Financing and Investment Income and Expenditure | (42) | 1,493 | 1,451 |
| Total Taxation and Non-Specific Grant Income | (30,606) | (4,946) | (35,552) |
| **(Surplus)/Deficit on the Provision of Services** | **(8,202)** | **8,242** | **40** |
| Other Comprehensive Income and Expenditure | 7,958 | 13,704 | 21,662 |
| **Total Comprehensive Income and Expenditure** | **(244)** | **21,946** | **21,702** |
| Opening General Fund and HRA Balances | (4,000) | | |
| Less Deficit/(Surplus) on General Fund and HRA in Year | (244) | | |
| Transfer to/ (from) Earmarked Reserves | 244 | | |
| **Closing General Fund and HRA Balances** | **(4,000)** | | |
| **Restated 2022/23:** | | | |
| Community Safety and Wellbeing | 3,135 | 3,931 | 7,066 |
| Environment and Sustainability | 7,852 | 2,704 | 10,556 |
| Finance and Corporate | 3,868 | 1,297 | 5,165 |
| Housing and Homelessness | 3,045 | 739 | 3,784 |
| Leader | 460 | 103 | 563 |
| Planning and Economy | 2,754 | 1,436 | 4,190 |
| General Fund | 21,114 | 10,210 | 31,324 |
| Housing Revenue Account | (6,048) | 5,587 | (461) |
| **Cost of Services** | **15,066** | **15,797** | **30,863** |
| Total Other Operating Expenditure | 6,987 | (2,078) | 4,909 |
| Total Financing and Investment Income and Expenditure | 1,287 | 4,528 | 5,815 |
| Total Taxation and Non-Specific Grant Income | (27,314) | (5,764) | (33,078) |
| **(Surplus)/Deficit on the Provision of Services** | **(3,974)** | **12,483** | **8,509** |
| Other Comprehensive Income and Expenditure | 14,365 | (122,187) | (107,824) |
| **Total Comprehensive Income and Expenditure** | **10,391** | **(109,704)** | **(99,315)** |
| Opening General Fund and HRA Balances | (4,000) | | |
| Less Deficit/(Surplus) on General Fund and HRA in Year | 10,391 | | |
| Transfer to/ (from) Earmarked Reserves | (10,391) | | |
| **Closing General Fund and HRA Balances** | **(4,000)** | | |

See Note 5 for further analysis. The Council adopted a new Portfolio structure in 2023/24, therefore the 2022/23 prior year comparators have been restated.

# MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance | Earmarked General Fund / HRA Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Community Infrastructure Levy Unapplied | Developers' Contributions Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2022** | **(3,000)** | **(37,068)** | **(1,000)** | **(5,895)** | **(2,001)** | **(7,023)** | **(4,790)** | **(60,777)** | **(290,187)** | **(350,964)** |
| ***Movement in reserves during 2022/23*** | | | | | | | | | | |
| (Surplus)/deficit on the provision of services | 9,033 | 0 | (524) | 0 | 0 | 0 | 0 | **8,509** | **0** | **8,509** |
| Other comprehensive income and expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **(107,824)** | **(107,824)** |
| **Total Comprehensive Income and Expenditure** | **9,033** | **0** | **(524)** | **0** | **0** | **0** | **0** | **8,509** | **(107,824)** | **(99,315)** |
| Adjustments between accounting basis and funding basis under regulations (note 7) | (2,117) | 0 | 3,999 | (291) | (943) | (1,447) | 547 | **(252)** | 252 | **0** |
| **Net (Increase)/Decrease Before Transfers to Earmarked Reserves** | **6,916** | **0** | **3,475** | **(291)** | **(943)** | **(1,447)** | **547** | **8,257** | **(107,572)** | **(99,315)** |
| Transfers to/(from) earmarked reserves (note 8) | (6,916) | 9,953 | (3,475) | 0 | 0 | 438 | 0 | **0** | **0** | **0** |
| **(Increase) / Decrease in Year** | **0** | **9,953** | **0** | **(291)** | **(943)** | **(1,009)** | **547** | **8,257** | **(107,572)** | **(99,315)** |
| **Balance at 31 March 2023** | **(3,000)** | **(27,115)** | **(1,000)** | **(6,186)** | **(2,944)** | **(8,032)** | **(4,243)** | **(52,520)** | **(397,759)** | **(450,279)** |
| ***Movement in reserves during 2023/24*** | | | | | | | | | | |
| (Surplus)/deficit on the provision of services | (5,479) | 0 | 5,519 | 0 | 0 | 0 | 0 | **40** | **0** | **40** |
| Other comprehensive income and expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **21,662** | **21,662** |
| **Total Comprehensive Income and Expenditure** | **(5,479)** | **0** | **5,519** | **0** | **0** | **0** | **0** | **40** | **21,662** | **21,702** |
| Adjustments between accounting basis and funding basis under regulations (note 7) | 2,370 | 0 | (2,659) | 139 | 446 | (606) | 746 | **436** | (436) | **0** |
| **Net (Increase)/Decrease Before Transfers to Earmarked Reserves** | **(3,109)** | **0** | **2,860** | **139** | **446** | **(606)** | **746** | **476** | **21,226** | **21,702** |
| Transfers to/(from) earmarked reserves (note 8) | 3,109 | (360) | (2,860) | 0 | 0 | 111 | 0 | **0** | **0** | **0** |
| **(Increase) / Decrease in Year** | **0** | **(360)** | **0** | **139** | **446** | **(495)** | **746** | **476** | **21,226** | **21,702** |
| **Balance at 31 March 2024** | **(3,000)** | **(27,475)** | **(1,000)** | **(6,047)** | **(2,498)** | **(8,527)** | **(3,497)** | **(52,044)** | **(376,533)** | **(428,577)** |

## BALANCE SHEET AS AT 31 MARCH



| 2022/23 | | | | 2023/24 | |
|---|---|---|---|---|---|
| £000 | £000 | | Notes | £000 | £000 |
| | | **Long-Term Assets** | | | |
| | | Property, Plant and Equipment: | | | |
| 455,835 | | Council Dwellings | 9 | 426,440 | |
| 74,822 | | Other Land and Buildings | 9 | 75,699 | |
| 5,286 | | Vehicles, Plant and Equipment | 9 | 5,453 | |
| 2,509 | | Infrastructure | 9 | 2,252 | |
| 537 | | Community Assets | 9 | 534 | |
| 6,030 | 545,019 | Assets Under Construction | 9 | 8,359 | 518,737 |
| | 30,685 | Investment Property | 10 | | 30,325 |
| | 14,608 | Long-Term Investments | 11 | | 9,568 |
| | 4,615 | Long-Term Debtors | 12 | | 4,393 |
| | 594,927 | **Total Long-Term Assets** | | | 563,023 |
| | | **Current Assets** | | | |
| 2,988 | | Short-Term Investments | 13 | 10,106 | |
| 353 | | Inventories | | 393 | |
| 12,214 | | Short-Term Debtors | 14 | 12,365 | |
| (2,866) | | Bad Debt Provision | 14 | (3,049) | |
| 15,645 | | Cash and Cash Equivalents | 15 | 12,720 | |
| | 28,334 | **Total Current Assets** | | | 32,535 |
| | **623,261** | **Total Assets** | | | **595,558** |
| | | **Current Liabilities** | | | |
| (4,345) | | Short-Term Borrowing | 16 | (4,155) | |
| (28,580) | | Short-Term Creditors | 17 | (27,755) | |
| | (32,925) | **Total Current Liabilities** | | | (31,910) |
| | | **Long-Term Liabilities** | | | |
| (114,003) | | Long-Term Borrowing | 16 | (119,904) | |
| (4,527) | | Provisions | 18 | (2,594) | |
| (365) | | Developers' Contributions - Receipts in Advance | | (360) | |
| (21,162) | | Net Pensions Liability | 35 | (12,213) | |
| | (140,057) | **Total Long-Term Liabilities** | | | (135,071) |
| | **450,279** | **Net Assets** | | | **428,577** |
| | | **Usable Reserves** | | | |
| 3,000 | | General Fund Balance | | 3,000 | |
| 27,115 | | Earmarked Reserves | 8 | 27,475 | |
| 1,000 | | Housing Revenue Account Balance | | 1,000 | |
| 6,186 | | Capital Receipts Reserve | 19 | 6,047 | |
| 2,944 | | Capital Grants Unapplied | 20 | 2,498 | |
| 8,032 | | Community Infrastructure Levy Unapplied | 21 | 8,527 | |
| 4,243 | 52,520 | Developers' Contributions Unapplied | 21 | 3,497 | 52,044 |
| | | **Unusable Reserves** | | | |
| 117,425 | | Revaluation Reserve | 22 | 85,727 | |
| 303,314 | | Capital Adjustment Account | 23 | 304,478 | |
| (378) | | Financial Instruments Revaluation Reserve | 24 | (608) | |
| 503 | | Deferred Capital Receipts Reserve | 25 | 475 | |
| (21,162) | | Pensions Reserve | 26 | (12,213) | |
| (1,475) | | Collection Fund Adjustment Account | 27 | (852) | |
| (468) | 397,759 | Accumulating Absences Adjustment Account | | (474) | 376,533 |
| | **450,279** | **Total Reserves** | | | **428,577** |

Mr A Bethune FCCA – Chief Finance Officer (S151)　　Date TBC

## CASH FLOW STATEMENT

| 2022/23 £000 | | Notes | 2023/24 £000 |
|---|---|---|---|
| 8,509 | Net (surplus) or deficit on the provision of services | | 40 |
| (13,588) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 28 | (23,143) |
| 4,053 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 28 | 2,803 |
| (1,026) | Net cash flows from Operating Activities | | (20,300) |
| (12,388) | Investing Activities | 29 | 23,908 |
| 22,341 | Financing Activities | 30 | (683) |
| 8,927 | Net (increase) or decrease in cash and cash equivalents | | 2,925 |
| (24,572) | Cash and cash equivalents at the beginning of the reporting period | | (15,645) |
| (15,645) | **Cash and cash equivalents at the end of the reporting period** | 15 | (12,720) |

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and the Service Reporting Code of Practice 2023/24 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii) Accruals of Income and Expenditure (Debtors and Creditors)

The accounts of the Council are prepared on an accruals basis. This means that the sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. In particular:

- Income from fees, charges and rents is recognised when the Council provides the relevant goods or services.
- Supplies and services expenditure is recorded as expenditure when the supplies or services are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income or expenditure has 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.

Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied by and to the Council during the year.

Exceptions to this policy are housing benefit payments, housing rents, utility costs and similar quarterly payments that are not apportioned when the period of charge does not coincide exactly with the end of the financial year. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

## iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature or can be called within 24 hours and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council will treat the following as cash and cash equivalents:
- Instant Access Call Accounts
- Instant Access Money Market Funds
- Deposits with one day to maturity

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

## iv) Changes in Accounting Policies, Material Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of 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 where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

**Material errors** discovered in prior period figures are also 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.

## v) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Charges are therefore mitigated by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement. The Council is however required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is calculated on a prudent basis determined by the Council in accordance with statutory guidance.

## vi) Contingent Assets

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

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

## vii) Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## viii) Employee Benefits

### Benefits Payable During Employment

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

## Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged to services on an accruals basis in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid or payable to the pension fund and pensioners.

## Post Employment Benefits

Most employees of the Council are members of the Local Government Pensions Scheme, administered by Hampshire County Council.

Detailed regulations govern rates of contribution and scales of benefits, the latter normally being in the form of a lump sum and annual pension.

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

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

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

* The assets of Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

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

* **Service cost comprising**
  - **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - **Net interest on the net defined benefit liability (asset)** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

**Re-measurements comprising**

- **Return on plan assets –** excluding amounts included in net interest on the net defined benefit liability (asset), charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial Gains and Losses –** changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Hampshire pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities - not accounted for as an expense.

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

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

## ix) Events after the Balance Sheet Date

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

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

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

## x) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## xi) 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 liabilities** are obligations to transfer economic benefits controlled by the Council and can be represented by contractual obligations to deliver cash or financial assets or obligations to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost.

**Financial Assets** are rights to future economic benefits controlled by the Council that are represented by cash, equity instruments or contractual rights to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council The financial assets held by the Council are accounted for under the following classifications:

**Amortised Cost –** where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows

**Fair value through other comprehensive income –** where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument and equity investments that the Council has elected into this category

**Fair value through profit and loss –** all other financial assets

## xii) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end they are reconverted at the exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## xiii) Government Grants and Contributions

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

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

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

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

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

### xiv) Heritage Assets

The Council has concluded that obtaining valuations for currently held Heritage Assets would involve a disproportionate cost in comparison to the benefits to the users of Council's financial statements and therefore has not recognised the assets on the Balance Sheet. Should the Council obtain any additional Heritage Assets in the future each asset would be considered for inclusion at the time.

### xv) Intangible Assets

The Council accounts for expenditure on Intangible Assets, such as software licences and website development, as revenue expenditure and therefore there is no asset recognition on the Balance Sheet.

### xvi) Inventories

Stocks are recorded in the Balance Sheet and charged to services at actual cost and stores items at average cost. This is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value. Care is taken to write out any obsolescent stocks.

### xvii) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued 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.

Investment properties under construction are measured at fair value once it is possible to measure reliably the fair value of the investment property and at cost before that date.

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 the Capital Receipts Reserve.

## xviii) Leases

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

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

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

### The Council as Lessee

Finance Leases

Where the Council leases a material asset under a finance lease it would be recognised in the accounts as if it were the Council's asset and then treated in the same way as any other Property, Plant and Equipment asset, other than depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council currently has no such Finance Leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

### The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. The rentals receivable are treated partly as capital receipts (for the principal element) and partly as revenue interest income. If not paid in full the balance due is held as a Long-Term Debtor in the Balance Sheet and is written down when payments are received.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service area in the Comprehensive Income and Expenditure Statement.

## xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2023/24 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

## xx) Property, Plant and Equipment

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council over a number of years and the cost of the item can be measured reliably. This determination will be made by the Responsible Financial Officer based upon a reasonable and prudent judgement. Leisure and ICT equipment will generally not be capitalised. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level is set for operational assets below which expenditure is not capitalised.

| Category of Property, Plant and Equipment Assets | De minimis level |
|---|---|
| Council dwellings | £25,000 |
| Other land and buildings | £10,000 |
| Vehicles, plant and equipment | £10,000 |
| Infrastructure assets | £10,000 |

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

- Infrastructure, Vehicles, Plant and Equipment, Community Assets and Assets Under Construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains or exceptionally to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

## Impairment

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

Where impairment losses are identified, they are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the 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.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.  An exception is made for assets where the useful life is in excess of 50 years or where assets are without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

* Non-HRA dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

* HRA Dwellings – componentisation applied and depreciated according to the average remaining useful life expectancies.

* vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

* infrastructure – coast protection - straight-line allocation over 20 years.
  land drainage and public lighting - straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Depreciation is applied in the year in which the asset is acquired and is charged using the straight-line method.

## The Remaining Useful Life of the Council's Non-Current Assets

The Council's Property, Plant and Equipment are depreciated over the remaining useful life of the asset as determined by the Council's valuers. Any land owned by the Council is not deemed to have a finite life and is not depreciated.

Investment assets are not depreciated and have a remaining life of 50 years or more.

The following table indicates the estimated remaining useful life of each type of non-current asset owned by the Council.  Each category of asset consists of different assets with varying remaining lives, therefore the table shows the range of asset lives within each category.

| Type of Asset | Remaining Useful Asset Life at 31 March 2024 |
|---|---|
| Council Dwellings | Up to 60 years |
| Council Garages | 60 years |
| Depots | 60 years |
| Public Conveniences | Up to 50 years |
| Offices | 60 years |
| Cemeteries | Indefinite |
| Health and Leisure Centres | 60 years |
| Equipment | Up to 25 years |
| Coastal Protection Works | Up to 8 years |
| Land Drainage Works | Up to 21 years |
| Public Lighting Works | Up to 19 years |
| Residential Dwellings | An average of 46 years |
| Investment Properties | 50+ years |

### xxi) Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. For Council Dwellings sold under the Right to Buy Scheme a proportion of the receipts, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### xxii) Private Finance Initiative (PFI) and Similar Contracts

The Council has not entered into any PFI schemes or similar contracts.

### xxiii) Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### xxiv) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to show against the Surplus or Deficit on the Provision of Services in 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.

Certain reserves are kept in order to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant notes.

## xxv) Revenue Expenditure Funded from Capital Under Statute

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

## xxvi) Value Added Tax (VAT)

Income and expenditure in the Statement of Accounts excludes any amounts related to VAT other than any irrecoverable VAT which is charged to the service to which the supply related.

## xxvii) Fair Value Measurements

The Council measures some of its non-financial assets, such as surplus assets and investment properties 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 in an orderly transaction between market participants 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 Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, assuming those market participants were acting in their economic best interest.

When measuring the fair value of a non-financial asset, the 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. The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability

## 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice of Local Authority Accounting in the United Kingdom requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. In addition, disclosure is required for the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

The standards that may be relevant for additional disclosures that will be required in future financial statements in respect of accounting changes that are introduced in the Code are:

- IFRS 16 Leases issued in January 2016, the Council did not voluntary implement this in 2023/24. Also, amendments to IFRS 16 with regard to sale and leaseback lease liabilities.
- Amendments to IAS 1 Presentation of Financial Statements – providing clarification the difference between current and non-current liabilities and non-current liabilities with covenants.
- Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules relating to multinational groups with a minimum level of turnover.
- Supplier Finance Arrangements, amendments to IAS 7 and IFRS 7, issued in May 2023. This will require additional disclosures about its supplier finance arrangements with regard to cashflows and exposure to liquidity risk.

The impact of these accounting standards has not yet been assessed.

## 3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in this document the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements that have the most significant effect on the amounts in the financial statements are:

**Asset reclassifications –** the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. If the asset is used in the delivery of services or is occupied by third parties, who are subsidised by the Council, they are deemed to be Property, Plant and Equipment assets. If the asset is being held solely for capital appreciation or rental income, there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

**Lease classifications –** the Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken “in the round” and a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on Leases) and could have a significant effect on the accounts.

**Contractual arrangements** – the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

**Providing for potential liabilities** – the Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of pending legal actions.

**Doubtful debts allowances** – the Council has made judgements about the level of doubtful debts allowances that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the current economic climate.

## 4. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions/Estimates |
|---|---|---|
| Doubtful Debt Allowances | The Council has made allowances for doubtful debts of £3.049 million in 2023/24 (£2.866 million in 2022/23) based on what it believes to be a prudent but realistic level.<br>The allowances are based on:<br>Council Tax and Non-domestic rate payers – ranges from 5% of debts at bill stage to 50% of debts at Liability Order stage.<br>Sundry Debtors including Overpaid Housing Benefits -100% of debts over 1 year.<br>Housing Rents - Former tenants 95%, current tenants, various percentages ranging from 0% on debts up to £100 and 95% on debts over £1,000. | If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment of £152,000 (£143,000 in 2022/23). |

# NOTES TO THE ACCOUNTS

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions/Estimates |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 35.<br>During 2023/24, the Council's actuaries advised that the net pension liability had increased by £4.075 million due to estimates being corrected, as a result of experience and reduced by £4.649 million due to updating of the assumptions used in the calculations. |
| Accumulating Absences | The calculated figure is comprised of annual leave entitlement and flexi/lieu time. The carried forward leave on the system has been used to calculate the accrual for annual leave. The number of days taken in flexi leave/lieu time has been used as the base for calculating the accrual at the end of the relevant year. | The accumulated absences amount recorded for 2023/24 is £474,000. A 5% increase in the accrual would amount to £23,700. This would not impact on the usable reserves of the Council. |
| Business Rates Appeals Provision | The provision of £2.145 million made by the Council is its 40% share of an overall provision of £5.362 million provision made in the Collection Fund. The overall figure is based on estimated appeals numbers supplied by a national business rates consultancy and adjusted by officer local knowledge. | The Council would be impacted by circa 20% of any under or over provision, but any loss would be restricted to a reduction in resources of £5.112 million before Safety Net Grant arrangements apply. |

## NOTES TO THE ACCOUNTS

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions/Estimates |
|---|---|---|
| Housing Stock Valuation | The Council adopts the Beacon methodology to annually revalue the Housing stock owned by the Council. The method adopted divides Towns and Parishes across the District into 5 pools, with a single pool being used to inform the Beacon indices each year on a cyclical basis. The pools include Towns and Parishes across the District, rather than being heavily weighted to a specific geographical area. Each year, it is recognised that the Beacon indices may well result in differing valuations when making a comparison against the national house price benchmark. | Over the 5 year period of valuation, the methodology does result in a fair market average valuation being carried in the Council's balance sheet. In any one year however, depending on the pool used to inform the Beacon indices, a variation can occur against the Land Registry house price benchmark. In 2023/24, the NFDC Beacon indices totaled -6.8%, whereas the South East benchmark totaled – 1.3%. The resultant difference in these figures equates to circa £22.729 million. |
| Property, Plant and Equipment | The Council carries out a rolling programme of valuations for PPE and £469 million of assets were valued in 2023/24<br><br>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. | A 1% change to the PPE valuations made for the year would change the reported value of PPE by £4.69 million.<br><br>If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for PPE would increase by £291,000 if the useful lives were reduced by one year. |
| Investment Properties | The Council values its investment properties annually and the fair value at 31 March 2024 was £30.3 million. | A 1% change in the valuation of investment properties would change the reported value by £303,000. |

## 5. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and Housing Revenue Account balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

**Adjustments for Capital Purposes**

- Depreciation, impairment and revaluation gains/losses on Property, Plant and Equipment and Investment Properties.
- Gains/losses on the Disposal of Non-Current Assets.
- Payments to the Government Housing Capital Receipts Pool.
- Capital grants, income and contributions.
- Provision for the financing of Capital Investment.
- Capital expenditure charged against the General Fund and Housing Revenue Account balances.

**Net Change for Pensions Adjustments**

- Replacement of employer pension contributions allowed by statute with current and past service costs.
- Net interest on the net defined benefit liability/(asset).
- Re-measurement of the defined benefit liability/(asset).

**Other Differences**

- Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements.
- Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the amount chargeable in the year in accordance with statutory requirements.

The Council adopted a new Portfolio structure in 2023/24, therefore the 2022/23 prior year comparators have been restated.

## Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts:

| Adjustment between Funding and Accounting Basis | Adjustment for Capital Purposes | Net Change for the Pension Adjustments | Other Differences | Total Adjustments |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **2023/24:** | | | | |
| Community Safety and Wellbeing | (793) | 26 | (5) | **(772)** |
| Environment and Sustainability | 1,208 | 41 | 2 | **1,251** |
| Finance and Corporate | 24 | 29 | (2) | **51** |
| Housing and Homelessness | (48) | 23 | 3 | **(22)** |
| Leader | 43 | 5 | 5 | **53** |
| Planning and Economy | 0 | 44 | 1 | **45** |
| **General Fund** | 434 | 168 | 4 | **606** |
| **Housing Revenue Account** | 12,556 | 54 | 2 | **12,612** |
| **Net Cost of Services** | **12,990** | **222** | **6** | **13,218** |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 18,292 | (9,172) | (391) | 8,729 |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services** | **31,282** | **(8,950)** | **(385)** | **21,947** |
| **Restated 2022/23:** | | | | |
| Community Safety and Wellbeing | 2,346 | 1,644 | (59) | **3,931** |
| Environment and Sustainability | 1,399 | 1,305 | 0 | **2,704** |
| Finance and Corporate | 492 | 808 | (3) | **1,297** |
| Housing and Homelessness | 0 | 739 | 0 | **739** |
| Leader | 0 | 103 | 0 | **103** |
| Planning and Economy | 0 | 1,440 | (4) | **1,436** |
| **General Fund** | 4,237 | 6,039 | (66) | **10,210** |
| **Housing Revenue Account** | 3,785 | 1,793 | 9 | **5,587** |
| **Net Cost of Services** | **8,022** | **7,832** | **(57)** | **15,797** |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (51,594) | (71,243) | (2,666) | (125,503) |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services** | **(43,572)** | **(63,411)** | **(2,723)** | **(109,706)** |

# NOTES TO THE ACCOUNTS

## Expenditure and Income Analysed by Nature:

| 2022/23 | | 2023/24 |
|---|---|---|
| **£000** | **Expenditure** | **£000** |
| 34,034 | Employee benefits expenses | 29,326 |
| 56,747 | Other services expenses | 54,737 |
| 3,139 | Support Service recharges | 3,104 |
| 18,028 | Depreciation, amortisation and impairment | 24,021 |
| 6,327 | Interest Payments | 5,521 |
| 6,987 | Precepts and Levies | 7,548 |
| **125,262** | **Total Expenditure** | **124,257** |
| | | |
| | **Income** | |
| (48,463) | Fees, charges and other service income | (51,730) |
| (2,078) | Gain on the disposal of assets | (1,523) |
| (2,283) | Interest and investment income | (4,392) |
| (20,679) | Income from council tax | (21,693) |
| (43,250) | Government grants and contributions | (44,879) |
| **(116,753)** | **Total Income** | **(124,217)** |
| **8,509** | **(Surplus) or Deficit on the Provision of Services** | **40** |

## Segmental Income:

| | Government Grant and Other Income | Fees, Charges and Other Service Income | Total |
|---|---|---|---|
| **2023/24:** | **£000** | **£000** | **£000** |
| Community Safety and Wellbeing | (189) | (2,634) | **(2,823)** |
| Environment and Sustainability | (465) | (7,505) | **(7,970)** |
| Finance and Corporate | (27,078) | (2,795) | **(29,873)** |
| Housing and Homelessness | (2,784) | (4,172) | **(6,956)** |
| Leader | (226) | (134) | **(360)** |
| Planning and Economy | (261) | (1,553) | **(1,814)** |
| **General Fund** | (31,003) | (18,793) | **(49,796)** |
| **Housing Revenue Account** | (19) | (32,267) | **(32,286)** |
| | **(31,022)** | **(51,060)** | **(82,082)** |
| **Restated 2022/23:** | | | |
| Community Safety and Wellbeing | (422) | (2,607) | **(3,029)** |
| Environment and Sustainability | (660) | (6,830) | **(7,490)** |
| Finance and Corporate | (27,536) | (2,901) | **(30,437)** |
| Housing and Homelessness | (1,915) | (4,439) | **(6,354)** |
| Leader | (127) | (8) | **(135)** |
| Planning and Economy | (174) | (1,832) | **(2,006)** |
| **General Fund** | (30,834) | (18,617) | **(49,451)** |
| **Housing Revenue Account** | (16) | (29,847) | **(29,863)** |
| | **(30,850)** | **(48,464)** | **(79,314)** |

## 6. EVENTS AFTER THE REPORTING PERIOD

The draft key Accounting Statements were presented to the Audit Committee on 31 May 2024, and subsequently authorised for publication by the Chief Finance Officer s151.

Events taking place after the date the statements were presented to the Audit Committee are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events which took place after 31 March 2024.

## 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

| 2023/24 | Usable Reserves | | | | | | | Movement in Unusable Reserves |
|---|---|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied | |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Adjustments primarily involving the Capital Adjustment Account:*** | | | | | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | | | |
| Charges for depreciation and impairment of non-current assets | (1,561) | (3) | 0 | 0 | (10,192) | 0 | 0 | 11,756 |
| Revaluation Gains / (Losses) on Property, Plant and Equipment | 951 | 7,095 | 0 | 0 | 0 | 0 | 0 | (8,046) |
| Capital Expenditure not enhancing value | (783) | (19,651) | 0 | 0 | 0 | 0 | 0 | 20,434 |
| Movements in the market value of Investment Properties | (360) | 0 | 0 | 0 | 0 | 0 | 0 | 360 |
| Movement in the Fair Value of Investments | (231) | 0 | 0 | 0 | 0 | 0 | 0 | 231 |
| Revenue expenditure funded from capital under statute | (2,458) | 0 | 0 | 0 | 0 | 0 | 0 | 2,458 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3) | (1,279) | 0 | 0 | 0 | 0 | 0 | 1,282 |
| Movement to/from Revaluation Reserve | 353 | 0 | 0 | | 0 | 0 | 0 | (353) |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | | | |
| Provision for the financing of capital investment | 1,730 | 3,030 | 0 | 0 | 0 | 0 | 0 | (4,760) |
| Capital expenditure charged against the General Fund and HRA balances | 1,807 | 2,333 | 0 | 0 | 0 | 0 | 0 | (4,140) |
| ***Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:*** | | | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 3,002 | 3,296 | 0 | (5,169) | 0 | (863) | (266) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 5,615 | 0 | 257 | 1,012 | (6,884) |

# NOTES TO THE ACCOUNTS

| 2023/24 | Usable Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Adjustments primarily involving the Capital Receipts Reserve:*** | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal) | 23 | 2,780 | (2,803) | 0 | 0 | 0 | 0 | 0 |
| Transfer of cash proceeds from non PPE assets | 38 | 19 | (57) | 0 | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 3,000 | 0 | 0 | 0 | 0 | (3,000) |
| ***Adjustments primarily involving the Deferred Capital Receipts Reserve:*** | | | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | (27) | (1) | 0 | 0 | 0 | 0 | 28 |
| ***Adjustments primarily involving the Major Repairs Reserve:*** | | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 0 | 10,192 | 0 | 0 | (10,192) |
| ***Adjustments primarily involving the Pension Reserve:*** | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (4,673) | (1,429) | 0 | 0 | 0 | 0 | 0 | 6,102 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 3,678 | 1,178 | 0 | 0 | 0 | 0 | 0 | (4,856) |
| Health and Leisure Contractor Payment to Fund | 237 | 0 | 0 | 0 | 0 | 0 | 0 | (237) |

# NOTES TO THE ACCOUNTS

| 2023/24 | Usable Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied | Movement in Unusable Reserves |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Adjustments primarily involving the Collection Fund Adjustment Account:*** | | | | | | | | |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements | 623 | 0 | 0 | 0 | 0 | 0 | 0 | (623) |
| ***Adjustments primarily involving the Accumulating Absences Adjustment Account:*** | | | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (4) | (2) | 0 | 0 | 0 | 0 | 0 | 6 |
| **Total Adjustments** | **2,370** | **(2,659)** | **139** | **446** | **0** | **(606)** | **746** | **(436)** |

| **2022/23 Comparative Figures** | Usable Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied | Movement in Unusable Reserves |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Adjustments primarily involving the Capital Adjustment Account:*** | | | | | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | | | |
| Charges for depreciation and impairment of non-current assets | (1,544) | (3) | 0 | 0 | (9,822) | 0 | 0 | 11,369 |
| Revaluation Gains / (Losses) on Property, Plant and Equipment | (522) | 10,289 | 0 | 0 | 0 | 0 | 0 | (9,767) |
| Capital Expenditure not enhancing value | (2,792) | (14,074) | 0 | 0 | 0 | 0 | 0 | 16,866 |
| Movements in the market value of Investment Properties | (98) | 0 | 0 | 0 | 0 | 0 | 0 | 98 |
| Expected Credit Loss on Investments | 3 | 0 | 0 | 0 | 0 | 0 | 0 | (3) |
| Movement in the Fair Value of Investments | (1,768) | 0 | 0 | 0 | 0 | 0 | 0 | 1,768 |
| Capital grants and contributions applied | 1,311 | 2,084 | 0 | 0 | 0 | 0 | 0 | (3,395) |
| Revenue expenditure funded from capital under statute | (2,226) | 0 | 0 | 0 | 0 | 0 | 0 | 2,226 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | (1,975) | 0 | 0 | 0 | 0 | 0 | 1,975 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | | | |
| Provision for the financing of capital investment | 1,483 | 4,232 | 0 | 0 | 0 | 0 | 0 | (5,715) |
| Capital expenditure charged against the General Fund and HRA balances | 4,363 | 1,400 | 0 | 0 | 0 | 0 | 0 | (5,763) |
| ***Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:*** | | | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 2,746 | 246 | 0 | (943) | 0 | (1,447) | (602) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 0 | 0 | 1,149 | (1,149) |

# NOTES TO THE ACCOUNTS

| 2022/23 Comparative Figures | Usable Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Adjustments primarily involving the Capital Receipts Reserve:*** | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal) | 109 | 3,944 | (4,053) | 0 | 0 | 0 | 0 | 0 |
| Transfer of cash proceeds from non PPE assets | 22 | 193 | (215) | 0 | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 3,977 | 0 | 0 | 0 | 0 | (3,977) |
| ***Adjustments primarily involving the Deferred Capital Receipts Reserve:*** | | | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | 27 | 0 | 0 | 0 | 0 | 0 | (27) |
| ***Adjustments primarily involving the Major Repairs Reserve:*** | | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 0 | 9,822 | 0 | 0 | (9,822) |
| ***Adjustments primarily involving the Pension Reserve:*** | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (11,356) | (3,413) | 0 | 0 | 0 | 0 | 0 | 14,769 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 3,260 | 1,058 | 0 | 0 | 0 | 0 | 0 | (4,318) |
| Health and Leisure Contractor Payment to Fund | 395 | 0 | 0 | 0 | 0 | 0 | 0 | (395) |

| 2022/23 Comparative Figures | Usable Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied | Movement in Unusable Reserves |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Adjustments primarily involving the Collection Fund Adjustment Account:*** | | | | | | | | |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements | 4,431 | 0 | 0 | 0 | 0 | 0 | 0 | (4,431) |
| ***Adjustments primarily involving the Accumulating Absences Adjustment Account:*** | | | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 66 | (9) | 0 | 0 | 0 | 0 | 0 | (57) |
| **Total Adjustments** | **(2,117)** | **3,999** | **(291)** | **(943)** | **0** | **(1,447)** | **547** | **252** |

## 8. EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

| | Balance 1 April 2022 | Transfers Out 2022/23 | Transfers In 2022/23 | Balance 31 March 2023 | Transfers Out 2023/24 | Transfers In 2023/24 | Balance 31 March 2024 |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Building Control Surplus | (258) | 77 | 0 | **(181)** | 170 | 0 | **(11)** |
| Business Rates Equalisation | (2,699) | 0 | 0 | **(2,699)** | 0 | 0 | **(2,699)** |
| Business Rates Reserve | (6,327) | 6,327 | (1,750) | **(1,750)** | 1,750 | (990) | **(990)** |
| Committed Schemes | (963) | 963 | (969) | **(969)** | 969 | (1,886) | **(1,886)** |
| Community Housing Fund | (877) | 45 | 0 | **(832)** | 13 | 0 | **(819)** |
| Contain Outbreak Management F | (263) | 49 | 0 | **(214)** | 0 | 0 | **(214)** |
| Corporate Priorities Reserve | 0 | 0 | 0 | **0** | 0 | (1,500) | **(1,500)** |
| Council Tax Hardship Reserve | (125) | 67 | 0 | **(58)** | 0 | 0 | **(58)** |
| Historic Buildings | (7) | 0 | 0 | **(7)** | 0 | 0 | **(7)** |
| Homes for Ukraine Reserve | 0 | 0 | (269) | **(269)** | 0 | (715) | **(984)** |
| Household Support Fund | (41) | 0 | 0 | **(41)** | 0 | 0 | **(41)** |
| Housing Needs Survey | (108) | 0 | 0 | **(108)** | 0 | 0 | **(108)** |
| Insurance Reserve | 0 | 0 | (40) | **(40)** | 0 | (40) | **(80)** |
| Leisure Development | (448) | 448 | 0 | **0** | 0 | 0 | **0** |
| Local Development Framework | (370) | 0 | 0 | **(370)** | 0 | 0 | **(370)** |
| Lymington Synthetic Turf Pitch | 0 | 0 | (24) | **(24)** | 0 | (24) | **(48)** |
| Open Space Maintenance | (424) | 56 | (47) | **(415)** | 56 | (138) | **(497)** |
| Planning - Monitoring and Inspec | 0 | 0 | (121) | **(121)** | 0 | (65) | **(186)** |
| Private Housing Stock Condition Survey | (59) | 0 | 0 | **(59)** | 0 | 0 | **(59)** |
| Quadrennial Election | (88) | 0 | (44) | **(132)** | 132 | 0 | **0** |
| Recreation Mitigation Maintenanc | 0 | 7 | (438) | **(431)** | 0 | 0 | **(431)** |
| Treasury Management | (38) | 0 | 0 | **(38)** | 0 | (262) | **(300)** |
| UK Shared Prosperity Fund | 0 | 0 | (86) | **(86)** | 86 | (112) | **(112)** |
| Capital Programme Reserve | (12,004) | 2,261 | (65) | **(9,808)** | 0 | (765) | **(10,573)** |
| **General Fund** | **(25,099)** | **10,300** | **(3,853)** | **(18,652)** | **3,176** | **(6,497)** | **(21,973)** |
| HRA ICT | (240) | 55 | 0 | **(185)** | 0 | 0 | **(185)** |
| Housing Acquisitions and Development | (11,729) | 3,451 | 0 | **(8,278)** | 2,961 | 0 | **(5,317)** |
| **Total Reserves** | **(37,068)** | **13,806** | **(3,853)** | **(27,115)** | **6,137** | **(6,497)** | **(27,475)** |

## 9. PROPERTY, PLANT AND EQUIPMENT ASSETS AND IMPAIRMENTS

### Valuation of Property, Plant and Equipment

The Council operates a rolling programme of property revaluations, which are carried out over a 5-year period. In 2023/24 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer. The revaluation programme for 2023/24 principally comprised the majority of the Council's land and buildings, as well as 20% of dwellings using the Beacon method of valuation. The remainder of dwellings' values were uplifted in line with the resultant Beacon indices.

### a) Analysis of Assets

The following list gives an indication of the range and number of assets owned/leased by the Council.

| 2022/23 | | 2023/24 |
|---:|---|---:|
| 5,194 | Council Dwellings | 5,237 |
| 2 | Main Office Blocks | 2 |
| 2 | Other Offices | 2 |
| 5 | Depots and Administrative Buildings | 5 |
| 5 | Health and Leisure Centres | 5 |
| 52 | Car Parks | 51 |
| 9 | Cemeteries | 8 |
| 23 | Public Conveniences | 23 |
| 219 | Vehicles | 218 |
| 1,755 | Garages | 1,742 |

### b) Valuation of Property, Plant and Equipment Assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The basis for valuation is set out in the Statement of Accounting Policies.

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant and Equipment | Infra-structure | Community Assets | Assets Under Construction | Total |
|---|---:|---:|---:|---:|---:|---:|---:|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Carried at Historic Cost (Net of Depreciation)** | | | 5,453 | 2,252 | | 8,359 | **16,064** |
| **Valued at Fair Value as at:** | | | | | | | |
| 2023/24 | 426,120 | 43,188 | | | | | **469,308** |
| 2022/23 | | 9,947 | | | | | **9,947** |
| 2021/22 | | 20,058 | | | | | **20,058** |
| 2020/21 | | 2,394 | | | | | **2,394** |
| 2019/20 | 320 | 112 | | | 534 | | **966** |
| **Total Cost or Valuation** | **426,440** | **75,699** | **5,453** | **2,252** | **534** | **8,359** | **518,737** |

These valuations show the net current value after depreciation is applied.

# NOTES TO THE ACCOUNTS



## c) Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

| Movements in 2023/24: | Council Dwellings | Other Land and Buildings | Vehicles, Plant and Equipment | Infrastructure | Community Assets | Assets Under Construction | Total Property, Plant and Equipment |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2023 | 455,835 | 75,004 | 12,167 | 19,839 | 537 | 6,030 | **569,412** |
| Additions | 22,934 | 456 | 1,404 | 180 | 7 | 5,315 | **30,296** |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | (31,725) | 458 | 0 | 0 | 0 | 0 | **(31,267)** |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | (804) | 951 | 0 | 0 | 0 | (2,292) | **(2,145)** |
| Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services | (19,651) | (456) | (26) | (180) | (7) | 0 | **(20,320)** |
| Derecognition - disposals | (1,278) | 0 | (382) | 0 | (3) | 0 | **(1,663)** |
| Other movements in cost or valuation | 1,129 | (435) | 0 | 0 | 0 | (694) | **0** |
| **At 31 March 2024** | **426,440** | **75,978** | **13,163** | **19,839** | **534** | **8,359** | **544,313** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2023 | 0 | (182) | (6,881) | (17,330) | 0 | 0 | **(24,393)** |
| Depreciation charge | (10,192) | (97) | (1,211) | (257) | 0 | 0 | **(11,757)** |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | 10,192 | 0 | 0 | 0 | 0 | 0 | **10,192** |
| Derecognition - disposals | 0 | 0 | 382 | 0 | 0 | 0 | **382** |
| **At 31 March 2024** | **0** | **(279)** | **(7,710)** | **(17,587)** | **0** | **0** | **(25,576)** |
| **Net Book Value** | | | | | | | |
| **at 31 March 2024** | **426,440** | **75,699** | **5,453** | **2,252** | **534** | **8,359** | **518,737** |
| **at 31 March 2023** | **455,835** | **74,822** | **5,286** | **2,509** | **537** | **6,030** | **545,019** |

# NOTES TO THE ACCOUNTS



| **Comparative Movements in 2022/23:** | **Council Dwellings** | **Other Land and Buildings** | **Vehicles, Plant and Equipment** | **Infrastructure** | **Community Assets** | **Assets Under Construction** | **Total Property, Plant and Equipment** |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2022 | 418,832 | 73,592 | 12,018 | 19,839 | 537 | 3,986 | **528,804** |
| Additions | 18,415 | 2,208 | 1,963 | 238 | 0 | 3,662 | **26,486** |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 32,553 | 1,805 | 0 | 0 | 0 | 0 | **34,358** |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | 934 | (534) | 0 | 0 | 0 | (468) | **(68)** |
| Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services | (14,074) | (2,067) | 0 | (238) | 0 | 0 | **(16,379)** |
| Derecognition - disposals | (1,975) | 0 | (1,814) | 0 | 0 | 0 | **(3,789)** |
| Other movements in cost or valuation | 1,150 | 0 | 0 | 0 | 0 | (1,150) | **0** |
| **At 31 March 2023** | **455,835** | **75,004** | **12,167** | **19,839** | **537** | **6,030** | **569,412** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2022 | 0 | (97) | (7,509) | (17,068) | 0 | 0 | **(24,674)** |
| Depreciation charge | (9,822) | (97) | (1,186) | (262) | 0 | 0 | **(11,367)** |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | 9,822 | 12 | 0 | 0 | 0 | 0 | **9,834** |
| Derecognition - disposals | 0 | 0 | 1,814 | 0 | 0 | 0 | **1,814** |
| **At 31 March 2023** | **0** | **(182)** | **(6,881)** | **(17,330)** | **0** | **0** | **(24,393)** |

| **Net Book Value** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **at 31 March 2023** | **455,835** | **74,822** | **5,286** | **2,509** | **537** | **6,030** | **545,019** |
| **at 31 March 2022** | **418,832** | **73,495** | **4,509** | **2,771** | **537** | **3,986** | **504,130** |

## d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2023/24 were £27.152 million (Council Dwellings £22.696 million, Council Garages £1.933 million, other HRA Assets £3,000 and General Fund Assets £2.520 million), but valuation increases were £3.570 million (Other HRA Assets £36,000 and General Fund Assets £3.534 million).

Increasing the net valuation impairments was non-enhancing capital expenditure of £19.651 million on Council Dwellings, and £783,000 on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

Net valuation impairments of Investment Properties in 2023/24 were £360,000.

## e) Capital Expenditure Contract Commitments

As at 31 March 2024, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

| | Period of investment | £000 |
|---|---|---|
| **Environment and Coastal Services** | | |
| Bathymetry | 2024/25 | 528 |
| Data Management | 2024/25 | 43 |
| Data Management | 2025/26 | 42 |
| Data Management | 2026/27 | 42 |
| Hydrodynamics | 2024/25 | 381 |
| Hydrodynamics | 2025/26 | 385 |
| Hydrodynamics | 2026/27 | 388 |
| | | |
| **Finance and Corporate** | | |
| Hardley Depot | 2024/25 | 5,359 |
| Vehicles | 2024/25 | 2,584 |
| | | |
| **Housing and Homelessness Services** | | |
| Burgate | 2024/25 | 59 |
| Moore Close, New Milton | 2024/25 | 1,807 |
| | | |
| **Total** | | **11,618** |

## 10. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement:

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| (1,012) | Rental income from investment property | (1,376) |
| 60 | Direct operating expenses arising from investment property | 185 |
| 441 | Capital expenditure not enhancing value | 115 |
| 98 | Net (gains)/losses from fair value adjustments | 360 |
| **(413)** | **Net (gain)/loss** | **(716)** |

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

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

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| **18,463** | **Balance at start of the year** | **30,685** |
| | Additions: | |
| 7,747 | Purchases | 0 |
| 5,014 | Construction | 115 |
| (441) | Capital expenditure not enhancing value | (115) |
| (98) | Net gains/(losses) from fair value adjustments | (360) |
| **30,685** | **Balance at end of the year** | **30,325** |

Under IFRS13 a level 2 fair value measurement has been carried out for all investment properties using a market comparable approach by the internal valuers.

## 11. LONG-TERM INVESTMENTS

The Council is permitted to invest and lend a proportion of its funds for more than 364 days. At 31 March 2024 the Council had 4 loans which had a remaining maturity term of more than one year.

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| **16,922** | **Opening Balance** | **14,608** |
| 442 | Purchases | 0 |
| 8 | Revaluations Gains | 44 |
| (1,753) | Revaluations Losses | (321) |
| (2) | Repayments | (4,763) |
| (1,009) | Transfers to Short-Term Investments | 0 |
| **14,608** | **Closing Balance** | **9,568** |

## 12. LONG-TERM DEBTORS

Long-term debtors includes deferred capital receipts for house purchases, loans to local trusts/organisations, loans to Appletree Property Holdings and staff car loans.

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| £000 | | £000 |
| 2 | Car Loans | 7 |
| 100 | Lymington Harbour Commissioners - Principal | 0 |
| 300 | New Forest Enterprise Centre | 200 |
| 500 | Rent to Mortgages House Purchases | 473 |
| 3,713 | Appletree Property Holdings | 3,713 |
| **4,615** | **Total** | **4,393** |

## 13. SHORT-TERM INVESTMENTS

Short-term investments include all deposits with a term of less than one year other than Cash and Cash Equivalents.

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| **46,530** | **Opening Balance** | **2,988** |
| 39,290 | Purchases | 14,801 |
| 0 | Revaluations Gains | 63 |
| (45) | Revaluations Losses | (16) |
| (22) | Movement in Accrued Interest | 129 |
| (83,776) | Repayments | (7,859) |
| 2 | Expected Credit Loss | 0 |
| 1,009 | Transfers from Long-Term Investments | 0 |
| **2,988** | **Closing Balance** | **10,106** |

## 14. SHORT-TERM DEBTORS

An analysis of the Council's debtors and payments in advance as at 31 March is shown below:

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| **£000** | | **£000** |
| 1,689 | Central Government Bodies (a) | 1,267 |
| | Local Authorities: | |
| 767 | Hampshire County Council (b) | 549 |
| 8 | Police and Crime Commissioner for Hampshire | 30 |
| 7 | Hampshire and Isle of Wight Fire and Rescue Service | 0 |
| 28 | New Forest National Park Authority | 69 |
| 57 | Other Local Authorities | 15 |
| 193 | Public Corporations and Trading Funds | 127 |
| | Other Entities and Individuals: | |
| 733 | Council Tax Payers | 816 |
| 478 | Business Rate Payers | 690 |
| 1,232 | Housing Tenants' Rents | 1,382 |
| 7,022 | Other Debtors and Payments in Advance (c) | 7,420 |
| **12,214** | **Total** | **12,365** |

Short-term debtors were higher at the 31 March 2024 by £151,000 when compared to 31 March 2023, the main contributing factors to this were:

(a) Central Government Bodies debtors decreased by £422,000. This was principally due to an accrual for a Homes England grant at the end of 2022/23.

(b) Hampshire County Council debtors has decreased due to £218,000 lower due to the Council regarding the waste management partnership.

(c) Other Debtors and Payments in Advance has increased in the main due to payments in advance for ICT software licences being £195,000 more than at the end of 2022/23 and the management fees for the health and leisure centres being £472,000 higher.

The bad debts provision is shown below:

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| **£000** | | **£000** |
| (305) | Council Tax Payers | (351) |
| (147) | Business Rate Payers | (179) |
| (885) | Housing Tenants' Rents | (980) |
| (1,529) | Other Debtors | (1,539) |
| **(2,866)** | **Total** | **(3,049)** |

# NOTES TO THE ACCOUNTS

## 15. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| £000 | | £000 |
| 1 | Cash held by the Council | 1 |
| 745 | Bank current accounts | 561 |
| 14,899 | Short-Term deposits with building societies/banks and other financial institutions | 12,158 |
| **15,645** | **Total** | **12,720** |

## 16. BORROWING

Short-term borrowing refers to loans that are repayable over a period of less than 12 months and long-term borrowing refers to loans that are repayable over a period in excess of 12 months.

In 2012/13 the Council borrowed £142.7 million for the Housing Revenue Account financing settlement. At 31 March 2024, £114.004 million of this amount is outstanding, of which a £4.1 million annual repayment instalment is due within 12 months.

In March 2014 the Council borrowed £2.007 million to finance an equivalent loan made to the Lymington Harbour Commissioners. This borrowing was repayable in 10 equal instalments of £200,700. The final payments totalling £200,700 were paid during 2023/24.

In March 2024 the Council borrowed £10 million to part fund its Housing Revenue Account Development Programme.

In addition, total accrued interest of £54,949 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| Short-Term | Long-Term | | Short-Term | Long-Term |
| £000 | £000 | | £000 | £000 |
| **(4,345)** | **(118,304)** | **Balance at 1 April** | **(4,345)** | **(114,003)** |
| (12,500) | 0 | Loans Raised | 0 | **(10,001)** |
| 16,801 | 0 | Loans Repaid | 4,301 | **0** |
| (4,301) | 4,301 | Transferred between Long-Term and Short-Term | (4,100) | 4,100 |
| 0 | 0 | Movement in accrued interest on all Borrowing | (11) | 0 |
| **(4,345)** | **(114,003)** | **Balance at 31 March** | **(4,155)** | **(119,904)** |

# NOTES TO THE ACCOUNTS

## 17. SHORT-TERM CREDITORS

An analysis of the Council's creditors and receipts in advance as at 31 March is shown below:

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| **£000** | | **£000** |
| (12,440) | Central Government Bodies (a) | (10,257) |
| | Local Authorities: | |
| (2,680) | Hampshire County Council | (852) |
| (236) | Police and Crime Commissioner for Hampshire | (51) |
| (158) | Hampshire and Isle of Wight Fire and Rescue Service | (54) |
| (54) | New Forest National Park Authority | (31) |
| (149) | Developers' Contributions Open Space Maintenance | (113) |
| (3,049) | Other Local Authorities | (3,030) |
| (30) | NHS Bodies | 0 |
| (62) | Public Corporations and Trading Funds | (10) |
| | Other Entities: | |
| (424) | Council Tax Payers | (355) |
| (1,463) | Business Rate Payers (b) | (1,182) |
| (7,835) | Other Creditors and Receipts in Advance (c) | (11,820) |
| **(28,580)** | **Total** | **(27,755)** |

Short term creditors have decreased by £824,000 from 2022/23 to 2023/24:

(a) The Central Government Bodies balance is £2.183 million lower principally due to £3.156 million regarding National Non-Domestic Rates (Business Rates).

(b) Hampshire County Council creditors are £1.828 million less. This is mainly due to reductions in Collection Fund positions for Council Tax of £1.186 million and Business Rates of £386,000.

(c) Other Creditors and Receipts in Advance have increased by £3.985 million. This was due, in the main, to an increase in year end commitments of £3.494 million, which included payments in advance of £1.422 million for the Garden Waste Collection Scheme, accruals regarding the leisure contract of £907,000 and Hardley depot of £380,000.

## 18. PROVISIONS

The Council maintains provisions to cover liabilities or losses that are anticipated to arise, but which cannot be quantified with certainty.

| | Balance 1 April 2022 | Additional Provisions Made 2022/23 | Amounts Used 2022/23 | Unused Amounts Reversed 2022/23 | Balance 31 March 2023 | Additional Provisions Made 2023/24 | Amounts Used 2023/24 | Unused Amounts Reversed 2023/24 | Balance 31 March 2024 |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Business Rates | (3,400) | (1,539) | 862 | 0 | **(4,077)** | (623) | 2,556 | 0 | **(2,144)** |
| Health and Leisure Centres | (539) | (400) | 539 | 0 | **(400)** | 0 | 0 | 0 | **(400)** |
| Private Sector Leasing Dilapidations | (50) | 0 | 0 | 0 | **(50)** | 0 | 0 | 0 | **(50)** |
| Redundancy | (31) | 0 | 31 | 0 | **0** | 0 | 0 | 0 | **0** |
| **Total Provisions** | **(4,020)** | **(1,939)** | **1,432** | **0** | **(4,527)** | **(623)** | **2,556** | **0** | **(2,594)** |



### Business Rates

On 1 April 2013 the Government introduced the Business Rates Retention Scheme, which required the Council to make a provision in the Collection Fund for successful appeals against rating valuations. The total provision made at 31 March 2024 was £5.362 million, of which £2.145 million relates to this Council's share of anticipated refunds.

### Health and Leisure Centres

The Health and Leisure Centre management contract includes a net income adjustment arrangement which allows the Council to make additional payments to the contractor. In addition an energy painshare arrangement has been agreed. Due to the current economic climate and recovery from COVID being slower than anticipated an additional contract payment is expected. Based on performance to the end of March 2024, provision has been made for an additional payment of £400,000.

### Private Sector Leasing Dilapidations

The Council is responsible for ensuring the repair of private sector houses that are leased. The Council had possible obligations on 120 properties at 31 March 2024. A revenue budget of £192,000 exists in 2024/25 for void repairs and dilapidation costs but a provision of £50,000 is also held to cover the potential for additional costs should a large number of dilapidations occur in any particular year.

### Redundancy

The Redundancy provision is put in place once approval for the termination of employment has been agreed by the Council.

## 19. CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve principally reflects the proceeds from the disposal of Property, Plant and Equipment assets that have yet to be utilised on new capital expenditure.

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| General Fund | Housing Revenue Account | Total | | General Fund | Housing Revenue Account | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| **(2,478)** | **(3,417)** | **(5,895)** | **Balance at 1 April** | **(2,381)** | **(3,805)** | **(6,186)** |
| (109) | (4,158) | (4,267) | New Receipts (including interest) | (23) | (2,838) | (2,861) |
| 206 | 3,770 | 3,976 | Financing of Capital Expenditure | 1,000 | 2,000 | 3,000 |
| **(2,381)** | **(3,805)** | **(6,186)** | **Balance at 31 March** | **(1,404)** | **(4,643)** | **(6,047)** |

## 20. CAPITAL GRANTS UNAPPLIED

Capital Grants Unapplied reflects contributions which have no conditions attached to them and have not been utilised and therefore have been credited to Reserves via the Comprehensive Income and Expenditure Account.

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| Government Grants | Other Grants/ Contributions | Total | | Government Grants | Other Grants/ Contributions | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| **(2,001)** | **0** | **(2,001)** | **Balance at 1 April** | **(2,944)** | **0** | **(2,944)** |
| (4,062) | (62) | (4,124) | New Receipts | (4,919) | (250) | (5,169) |
| 3,119 | 62 | 3,181 | Financing of Capital Expenditure | 5,365 | 250 | 5,615 |
| **(2,944)** | **0** | **(2,944)** | **Balance at 31 March** | **(2,498)** | **0** | **(2,498)** |

## 21. DEVELOPERS' CONTRIBUTIONS / COMMUNITY INFRASTRUCTURE LEVY UNAPPLIED

The Developers' Contributions (DCs) and Community Infrastructure Levy (CIL) Unapplied accounts reflect contributions which have no conditions attached to them and have therefore been credited to the Reserves via the Comprehensive Income and Expenditure Account.

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| CIL | DCs | | CIL | DCs |
| £000 | £000 | | £000 | £000 |
| **(7,023)** | **(4,790)** | **Balance at 1 April** | **(8,032)** | **(4,243)** |
| (1,730) | (749) | New Receipts | (1,150) | (400) |
| 0 | 1,149 | Financing of Capital Expenditure | 257 | 1,012 |
| 96 | 147 | Financing of Revenue Expenditure | 61 | 134 |
| 187 | 0 | Payments to Town and Parish Councils | 226 | 0 |
| 438 | 0 | Transfers to Other Earmarked Reserves | 111 | 0 |
| **(8,032)** | **(4,243)** | **Balance at 31 March** | **(8,527)** | **(3,497)** |

## 22. REVALUATION RESERVE

This Reserve records the increase in the valuation of assets since 1 April 2007, under the system of capital accounting.

The Reserve is written down by any accumulated revaluation surplus of non-current assets as they are disposed of and debited or credited with deficits or surpluses arising on the year's revaluations.

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| General Fund | Housing Revenue Account | Total | | General Fund | Housing Revenue Account | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| **(25,315)** | **(57,967)** | **(83,282)** | **Balance at 1 April** | **(27,031)** | **(90,394)** | **(117,425)** |
| (2,624) | (32,874) | (35,498) | Upward revaluation of assets | (1,609) | (36) | (1,645) |
| 908 | 231 | 1,139 | Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services | 1,185 | 31,727 | 32,912 |
| (1,716) | (32,643) | (34,359) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (424) | 31,691 | 31,267 |
| 0 | 0 | 0 | Adjusting Amounts written out to the Capital Adjustment Account | 353 | 0 | 353 |
| 0 | 0 | 0 | Movement of property | (116) | 116 | 0 |
| 0 | 216 | 216 | Accumulated gains on assets sold or scrapped | 3 | 75 | 78 |
| **(27,031)** | **(90,394)** | **(117,425)** | **Balance at 31 March** | **(27,215)** | **(58,512)** | **(85,727)** |

## 23. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing their acquisition or enhancement under statutory provisions. The account is debited with the costs of depreciation, impairment and amortisations as assets are consumed and credited with the amounts set aside by the Council for the financing of capital expenditure.

The account contains accumulated gains and losses on Investment Properties and gains on Property, Plant and Equipment assets arising before 1 April 2007.

The balance on the Capital Adjustment Account is matched by non-current assets within the Balance Sheet and does not represent actual funds available to the Council.

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| £000 | £000 | | £000 | £000 |
| | **(296,045)** | **Balance at 1 April** | | **(303,314)** |
| | | **Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:** | | |
| 11,369 | | Charges for depreciation and impairment of non-current assets | 11,756 | |
| (9,766) | | Revaluation (Gains) / Losses on Property, Plant and Equip. | (8,047) | |
| 16,866 | | Capital Expenditure not enhancing value | 20,434 | |
| 2,226 | | Revenue expenditure funded from capital under statute | 2,458 | |
| 1,759 | | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,204 | |
| | 22,454 | Net written out amount of the cost on non-current assets consumed in the year | | 27,805 |
| | 0 | Adjusting Amounts written out of the Revaluation Reserve | | (353) |
| | | **Capital financing applied in the year:** | | |
| (3,977) | | Use of the Capital Receipts Reserve to finance new capital expenditure | (3,000) | |
| (9,822) | | Use of the Major Repairs Reserve to finance new capital expenditure | (10,192) | |
| (3,395) | | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (6,884) | |
| (1,149) | | Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts | 0 | |
| (1,615) | | Provision for the financing of capital investment charged against the General Fund balance | (1,730) | |
| (4,100) | | Provision for the financing of capital investment charged against the HRA balance | (3,030) | |
| (5,763) | | Capital expenditure charged against the General Fund and HRA balances | (4,140) | |
| | (29,821) | | | (28,976) |
| | 98 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 360 |
| | **(303,314)** | **Balance at 31 March** | | **(304,478)** |

## 24. FINANCIAL INSTRUMENTS REVALUATION RESERVE

The Financial Instruments Revaluation Reserve contains the movements made by the Council arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| **(1,386)** | **Balance at 1 April** | **378** |
| 0 | Upward revaluation of investments | (91) |
| 1,767 | Downward revaluation of investments | 321 |
| (3) | Expected credit loss on investments | 0 |
| 1,764 | (Surplus) or deficit on revaluation of investments | 230 |
| **378** | **Balance at 31 March** | **608** |

## 25. DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve represents the amount of capital receipts owed to the Council that have not yet been received. Under statutory arrangements, the Council 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.

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| **(476)** | **Balance at 1 April** | **(503)** |
| (27) | New Receipts/Revaluations | 27 |
| 0 | Transfer to the Capital Receipts Reserve upon receipt of cash | 1 |
| **(503)** | **Balance at 31 March** | **(475)** |

## 26. 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 debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Full details of the Pension Scheme are set out in Note 35.

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| **84,572** | **Balance at 1 April** | **21,162** |
| (73,466) | Remeasurement of the net defined liability / (asset) | (9,958) |
| 14,769 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 6,102 |
| (4,318) | Employer's pensions contributions and direct payments to pensioners payable in the year | (4,856) |
| (395) | Health and Leisure Contractor Payment into Fund | (237) |
| **21,162** | **Balance at 31 March** | **12,213** |

## 27. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. The fund balance is allocated as follows:

| 31 March 2023 | | | | 31 March 2024 | | |
|---|---|---|---|---|---|---|
| Business Rates | Council Tax | Total | | Business Rates | Council Tax | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 2,187 | 0 | 2,187 | Central Government | 1,238 | 0 | 1,238 |
| 394 | (1,350) | (956) | Hampshire County Council | 222 | (678) | (456) |
| 0 | (232) | (232) | Police and Crime Commissioner for Hampshire | 0 | (117) | (117) |
| 44 | (74) | (30) | Hampshire Fire and Rescue Authority | 25 | (38) | (13) |
| 2,625 | (1,656) | 969 | | 1,485 | (833) | 652 |
| 1,750 | (275) | 1,475 | New Forest District Council | 991 | (138) | 853 |
| **4,375** | **(1,931)** | **2,444** | | **2,476** | **(971)** | **1,505** |

The balances on each fund will be taken into account when calculating the council tax and business rates in future years.

## 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| (11,369) | Charges for depreciation and impairment | (11,756) |
| 9,766 | Revaluation Gains/(Losses) on Property, Plant and Equipment | 8,046 |
| 0 | Transfer between Capital Adjustment Account and | 353 |
| 28 | Revaluation/Movement in Deferred Debtors | 74 |
| (1,788) | Revaluation Gains/(Losses) on Investments | (231) |
| (16,866) | Capital Expenditure not enhancing value | (20,434) |
| (98) | Movements in the value of Investment Properties | (360) |
| 5,765 | Capital grants applied to the financing of Capital Expenditure | 4,946 |
| (1,975) | Carrying amount of Non-Current Assets sold | (1,282) |
| 71 | Increase/(Decrease) in Inventories | 40 |
| 1,049 | Increase/(Decrease) in Debtors | 151 |
| (22) | Increase/(Decrease) in Investments Accrued Interest | 129 |
| (148) | (Increase)/Decrease in impairment for Provision for Bad Debts | (183) |
| 13,607 | (Increase)/Decrease in Creditors | (4,195) |
| (1,045) | Adjustment to Creditors re Capital Expenditure | 635 |
| (10,056) | Movement in Pension Liability | (1,009) |
| (507) | Other non-cash items charged to the net surplus or deficit on the provision of services | 1,933 |
| **(13,588)** | **Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements** | **(23,143)** |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| 4,053 | Proceeds adjustment from the sale of property, plant and equipment and investment property | 2,803 |
| **4,053** | | **2,803** |

The cash flows for operating activities include the following items:

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| (1,620) | Investment interest received | (2,537) |
| 4,067 | Loan interest paid | 3,955 |
| **2,447** | | **1,418** |

## 29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| 40,338 | Purchase of property, plant and equipment, investment property and intangible assets | 29,775 |
| 39,732 | Purchase of short-term and long-term investments | 14,801 |
| 1,593 | Other payments for investing activities | 9 |
| (4,053) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,803) |
| (83,778) | Proceeds from short-term and long-term investments | (12,623) |
| (6,220) | Other receipts from investing activities | (5,251) |
| **(12,388)** | **Net cash flows from investing activities** | **23,908** |

## 30. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| (12,500) | Cash receipts of short- and long-term borrowing | (10,001) |
| 16,801 | Repayments of short and long-term borrowing | 4,301 |
| 18,040 | Other payments for financing activities | 5,017 |
| **22,341** | **Net cash flows from financing activities** | **(683)** |

## 31. AGENCY SERVICES

The Council carried out grass cutting of adopted highway verges on an agency basis.

| 2022/23 | | 2023/24 | | |
|---|---|---|---|---|
| Net Expenditure £000 | | Gross Expenditure £000 | Income £000 | Net Expenditure £000 |
| 0 | Hampshire County Council - Highways | 360 | (360) | 0 |
| **0** | **Agency Expenditure** | **360** | **(360)** | **0** |

## 32. CONTINGENT ASSETS

The Council is unaware of any Contingent Assets as at the Balance Sheet date.

## 33. CONTINGENT LIABILITIES

In April 2012 the Dibden Golf Course staff transferred to Mytime Active, who gained admitted body status to the Hampshire County Council Government Pension Scheme. New Forest District Council is the sponsoring body, acting as guarantor for any contributions to the Pension Fund should they not be paid by Mytime Active. As at 31 March 2024 no such guarantee has been exercised.

The Health and Leisure staff transferred to Freedom Leisure in July 2021 but remain in the Hampshire County Council Government Pension Scheme under a pooling arrangement with the Council. As such, assets and liabilities relating to those staff remain on the Council's balance sheet and Freedom Leisure operate with defined contributions. In addition, New Forest District Council act as guarantor for any contributions to the Pension Fund should they not be paid by Freedom Leisure. No such guarantee has been exercised as at 31 March 2024.

## 34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital expenditure is paid for (financed) in various ways including borrowing, the use of internal resources, the receipt of grant and directly from revenue income. Capital expenditure on behalf of other authorities is recharged directly to them.

The Capital Financing Requirement shows the overall indebtedness of the Council. This debt need not be external loans that have been raised, but it can be internal funds that the Council has used temporarily instead of raising debt. The expectation is that borrowing may be required in the future.

Where applicable the Council is required to set aside a revenue provision for the redemption of debt and for a future borrowing requirement if external debt has not actually been raised.

The Council has a choice in the method of calculating the provision and has chosen the one that represents the depreciation calculation of those assets financed by the debt.  Therefore, when the value of the asset financed by debt has been fully depreciated the amount of the revenue provision that has been set aside will be sufficient to repay the loan for that asset.

## NOTES TO THE ACCOUNTS

New vehicles, plant and equipment, above a de minimis level of £10,000, are funded by a future borrowing requirement. In order to make a provision to repay this future requirement a revenue provision is made. This sum was £1.170 million in 2023/24 and was charged to the General Fund together with £427,000 in relation to investment property acquisitions and £133,000 in relation to expenditure at Health and Leisure Centres. In addition, while £4.1 million for the next principal repayment was made regarding the Housing Revenue Account Self-Financing Settlement this was partially replaced by new borrowing, reducing the actual net revenue repayment by £1.070 million.

This table sets out the transactions required for the financing of capital expenditure and permitted adjustments for each year.

| | 2022/23 | | 2023/24 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Opening Capital Financing Requirement** | | 144,212 | | 156,353 |
| | | | | |
| **Capital Investment** | | | | |
| Property, Plant and Equipment Assets | 39,246 | | 30,410 | |
| Long-Term Investments | 442 | | 0 | |
| Intangible Assets | 47 | | 0 | |
| REFCUS | 2,226 | 41,961 | 2,458 | 32,868 |
| | | | | |
| | | 0 | | 0 |
| **Sources of Finance** | | | | |
| Capital Receipts | (3,977) | | (3,000) | |
| Government Grants | (3,180) | | (5,615) | |
| Revenue Contributions | (5,763) | | (4,140) | |
| Major Repairs Reserve | (9,822) | | (10,192) | |
| Developers' Contributions | (1,363) | | (1,012) | |
| Community Infrastructure Levy | 0 | (24,105) | (257) | (24,216) |
| | | | | |
| **Other Adjustments for the Repayment of Debt** | | | | |
| Repayment of Loan Principal | | (4,100) | | (3,030) |
| Revenue Provision | | (1,615) | | (1,730) |
| Property, Plant and Equipment Policy | | 0 | | 0 |
| **Closing Capital Financing Requirement** | | **156,353** | | **160,245** |

| **Explanation of movements in Year** | **2022/23** | **2023/24** |
|---|---|---|
| | **£000** | **£000** |
| Increase in underlying need to borrow | | |
| (unsupported by Government financial assistance) | 17,856 | 8,652 |
| Reduction (-)/increase in need to borrow because of: | | |
| - Repayment of Loan Principal | (4,100) | (3,030) |
| - Revenue Provision | (1,615) | (1,730) |
| | 12,141 | 3,892 |

## 35. DEFINED BENEFIT PENSION SCHEME

### a) Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Hampshire County Council Pension Scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

## b) Transactions Relating to Post-employment (Retirement) Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid out as pensions. However, the charge required to be made against the General Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Account via the Movement in Reserves Statement. The following transactions have been made during the year:

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£ million** | **£ million** |
| **Comprehensive Income and Expenditure Statement** | | |
| **Cost of Services** | | |
| **Service cost comprising:** | | |
| Current service cost | 12.548 | 5.310 |
| Past service cost | 0.000 | 0.006 |
| **Financing and Investment Income and Expenditure** | | |
| Net Interest expense | 2.221 | 0.786 |
| **Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services** | 14.769 | 6.102 |
| **Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement** | | |
| **Remeasurement of the net defined benefit liability comprising:** | | |
| Return on plan assets (excluding the amount included in the net interest expense) | 19.934 | (9.384) |
| Actuarial (Gains) / Losses arising on changes in demographic assumptions | 0.019 | (4.730) |
| Actuarial (Gains) / Losses arising on changes in financial assumptions | (117.258) | 0.081 |
| Actuarial (Gains) / Losses due to liability experience | 23.839 | 4.075 |
| **Total Net Defined Benefit Liability Re-measured** | (73.466) | (9.958) |
| **Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement** | (58.697) | (3.856) |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code | 63.015 | 8.712 |
| **Actual amount charged against the General Fund Balance for pensions in the year** | | |
| Employer's contributions payable to scheme | **4.318** | **4.856** |

## c) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| Assets and Liabilities | 31 March 2023 | 31 March 2024 |
|---|---|---|
| | £ million | £ million |
| Present value of the defined benefit obligation | (238.592) | (246.532) |
| Fair value of plan assets | 217.430 | 234.319 |
| **Net liability arising from defined benefit obligation** | **(21.162)** | **(12.213)** |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment retirement benefits. The total net liability of £12.213 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

| | 2022/23 | 2023/24 |
|---|---|---|
| | £ million | £ million |
| **Opening balance at 1 April** | (318.717) | (238.592) |
| Current Service Cost | (12.548) | (5.310) |
| Past Service Cost | 0.000 | (0.006) |
| Interest Cost | (8.502) | (10.943) |
| Contributions from scheme Participants | (1.461) | (1.702) |
| Remeasurement (Gains) and Losses: | | |
| Actuarial Gains/(Losses) arising from changes in financial assumptions | 117.258 | (0.081) |
| Actuarial Gains/(Losses) due to liability experience | (23.839) | (4.075) |
| Actuarial Gains/(Losses) arising from changes in demographic assumptions | (0.019) | 4.730 |
| Benefits Paid | 9.236 | 9.447 |
| **Closing balance at 31 March** | **(238.592)** | **(246.532)** |

## NOTES TO THE ACCOUNTS

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£ million** | **£ million** |
| **Opening fair value of scheme assets at 1 April** | 234.145 | 217.430 |
| Interest Income | 6.281 | 10.157 |
| **Remeasurement gain/(loss):** | | |
| The return on plan assets, excluding the amount included in the net interest expense | (19.934) | 9.384 |
| Contributions from employer | 4.318 | 4.856 |
| Contributions from employees into the scheme | 1.461 | 1.702 |
| Contibutions from Health and Leisure Contract Employer | 0.395 | 0.237 |
| Benefits paid | (9.236) | (9.447) |
| **Closing fair value of scheme assets at 31 March** | **217.430** | **234.319** |

### d) Local Government Pension Scheme assets (fair value) comprised

| 31 March 2023 | | Assets | 31 March 2024 | |
|---|---|---|---|---|
| £ million | % | | £ million | % |
| 2.39 | 1.1 | Cash and Cash Equivalents | 1.88 | 0.8 |
| 125.24 | 57.6 | Equity Investments | 107.36 | 45.8 |
| 35.88 | 16.5 | Government Bonds | 33.98 | 14.5 |
| 14.78 | 6.8 | Property | 38.87 | 16.6 |
| 39.14 | 18.0 | Other Assets | 52.21 | 22.3 |
| **217.43** | 100.0 | **Total Assets** | **234.30** | 100.0 |

### e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP (AON Solutions UK Limited in 2022/23), independent firms of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2022
.
The main assumptions used in their calculations have been:

| **Financial Assumptions** | **31 March 2023** | **31 March 2024** |
|---|---|---|
| | **%** | **%** |
| Rate of inflation - CPI | 2.7 | 2.8 |
| Rate of increase in salaries | 3.7 | 3.8 |
| Rate of increase in pensions | 2.7 | 2.8 |
| Pension Accounts Revaluation Rate | 2.7 | 2.8 |
| Rate of discounting scheme liabilities | 4.7 | 4.8 |

| Mortality Assumptions | | 31 March 2023 | 31 March 2024 |
|---|---|---|---|
| | | Years | Years |
| Pensioner member aged 65 at accounting date | | | |
| | Males | 23.3 | 22.1 |
| | Females | 25.7 | 24.7 |
| Active member aged 45 at accounting date | | | |
| | Males | 23.8 | 22.6 |
| | Females | 26.7 | 25.7 |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases 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 methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Impact on the Defined Benefit Obligation in the scheme | Increase in Assumption | Decrease in Assumption |
|---|---|---|
| | £ million | £ million |
| Longevity (increase or decrease in 1 year) | 9.86 | (9.86) |
| Rate of inflation (increase or decrease by 0.1%) | 4.20 | (4.20) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 0.09 | (0.09) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 4.20 | (4.20) |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (4.22) | 4.22 |

## f) Impact on the Authority’s Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The Council anticipates paying standard contributions of £4.707 million to the fund for the accounting period ending 31 March 2025. In addition, estimated Strain on Fund contributions will be £370,000.

The weighted average duration of the defined benefit obligation for scheme members is 17.0 years (17.2 years 2022/23).

Further information on the Pension Fund can be obtained from:
Pensions Services
Hampshire County Council
The Castle
Winchester
SO23 8UB Telephone: (01962) 845588

## 36. EXTERNAL AUDIT COSTS

The following fees payable relating to external audit and inspection were incurred:

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| 52 | External audit services carried out by the appointed auditor | 165 |
| 25 | Certification of grant claims and returns | 27 |
| **77** | | **192** |

## 37. GRANTS INCOME

Details of income credited to the Comprehensive Income and Expenditure Statement are as follows:

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | **Service Specific Revenue Grants and Contributions (included in cost of services)** | £000 |
| | Department for Levelling Up, Housing and Communities | |
| (150) | Council Tax Benefits Admin | (141) |
| (43) | Covid 19 Additional Restrictions Grant Discretionary Scheme | 0 |
| (15) | Covid 19 New Burdens/Compliance | 0 |
| (171) | Covid 19 Welcome Back Fund | 0 |
| 0 | Digital Planning Improvement Fund | (100) |
| (863) | Disabled Facilities Grants | (1,388) |
| (321) | Energy Hardship Fund | 0 |
| (102) | Family Annex Grant | (102) |
| (732) | Homelessness Prevention Grant | (953) |
| 0 | Local Council Tax Support Grant | (208) |
| (75) | Local Government Cyber Security Resilience | 0 |
| 0 | New Burdens Energy Bills Support Scheme Alternative Funding | (51) |
| 0 | New Burdens Alternative Fuel Payment Alternative Funding | (79) |
| (72) | Next Steps Accommodation | (72) |
| (279) | NNDR Collection | (288) |
| (248) | Rough Sleepers | (371) |
| (96) | UK Shared Prosperity Fund | (139) |
| (284) | Other DLUHC | (205) |
| | Department for Work and Pensions | |
| (366) | Housing and Council Tax Benefit Administration | (322) |
| (26,169) | Housing Benefit Subsidy | (25,925) |
| (203) | Discretionary Housing Payments | (203) |
| (55) | Other DWP | (83) |
| | Other Government Grants | |
| (34) | Apprenticeship Levy | (58) |
| (28) | Other | (27) |
| **(30,306)** | **Total Government Grants** | **(30,715)** |

| 2022/23 | | 2023/24 |
|---|---|---|
| **£000** | Other Grants and Contributions | **£000** |
| (620) | Project Integra - Recycling | (415) |
| (185) | Developers' Contributions | (134) |
| **(805)** | **Total Other Grants and Contributions** | **(549)** |
| **(31,111)** | **Total Service Revenue Grants and Contributions** | **(31,264)** |
| | **Non-Ringfenced Revenue Government Grants** | |
| | Non Domestic Rates Income and Expenditure | |
| 25,983 | Tariff | 31,413 |
| (18,550) | Retention Scheme Income | (22,014) |
| (3,668) | Surplus Business Rates Distributed from Pool | (5,715) |
| (9,567) | S31 Grant (New Forest District Council proportion) | (11,718) |
| **(5,802)** | | **(8,034)** |
| | Department for Levelling Up, Housing and Communities | |
| (1) | Revenue Support Grant | (1) |
| (366) | New Homes Grant | (16) |
| (8) | Council Tax Freeze Grant | (8) |
| (182) | Lower Tier Services Grant | 0 |
| (276) | Services Grant | (162) |
| 0 | Guarantee Grant | (692) |
| **(833)** | | **(879)** |
| **(6,635)** | **Total Non-Ringfenced Revenue Government Grants** | **(8,913)** |
| | **Capital Grants and Contributions** | |
| (303) | Coast Protection | (161) |
| (1,770) | Housing Acquisitions and Development | (1,414) |
| 0 | Hythe Hospital Brownfield | (324) |
| (561) | Local Authority Housing Fund | (1,309) |
| (414) | Private Sector Disabled Facilities Grants | 0 |
| (136) | Public Conveniences - Changing Places | (69) |
| (62) | Lymington Quay - Harbour Commissioners | 0 |
| 0 | Rural England Prosperity Fund | (212) |
| 0 | Ukraine Housing Fund | (250) |
| (14) | UK Shared Prosperity Fund | (42) |
| (816) | Developers' Contributions | (270) |
| (1,447) | Community Infrastructure Levy | (864) |
| (242) | Capital Receipts | (31) |
| **(5,765)** | **Total Capital Grants and Contributions** | **(4,946)** |
| **(43,511)** | **Total Grants and Contributions Income** | **(45,123)** |

The Council received additional grant funding as part of the government's response to the COVID-19 pandemic and the ongoing economic position, some to cover the Council's own expenditure/income shortfalls and some for passing on to local businesses and individuals. The Council made judgements about whether it acts as principal or agent in relation to this funding. Where the Council is acting as principal the grant receipts have been recognised as income and associated payments as expenditure. Where the Council is acting as agent the grant receipts and corresponding payments are not included in the Comprehensive Income and Expenditure Statement, other than any element of the funding relating to administration costs.
The table above excludes agent grants for 2023/24 from Central Government of £2.4 million (2022/23 was £183,000) for business support grants where the Council is acting as an agent of the Government in administering the funds and £2.9 million of S31 Business Rate Reliefs grant (£4.1 million for 2022/23). The latter was paid to the Council so that it continues to pay relevant parties their share of business rates income as without suffering cash flow problems due to the award of significant additional reliefs to support particular business sectors during the pandemic.

## 38. LEASES

**Finance Leases with the Council acting as Lessee**

In 2023/24 there were no rental payments to lessors for Finance Leases.

**Operating Leases with the Council acting as Lessee**

The Council has acquired 20 properties by entering into operating leases. The assets are not owned by the Council and no asset is recorded in the Council's accounts.

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

| | 31 March 2023 | 31 March 2024 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 149 | 132 |
| Later than one year but not later than 5 years | 369 | 248 |
| Later than 5 years | 296 | 287 |
| **Total Lease Rentals** | **814** | **667** |

Expenditure of £148,655 was charged to the Comprehensive Income and Expenditure Statement during the year (£148,444 in 2022/23).

**Operating Leases with the Council acting as Lessor**

The Council leases out property and equipment under operating leases for the provision of community services and economic development.

The future minimum lease payments receivable under the material leases in future years are:

| | 31 March 2023 | 31 March 2024 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 1,678 | 1,947 |
| Later than one year but not later than 5 years | 4,906 | 5,676 |
| Later than 5 years | 29,522 | 30,410 |
| **Total Lease Rentals** | **36,106** | **38,033** |

The portion of the lease rental for Hythe Marina that is based on a profit share basis has not been included in this table. As the profit cannot be accurately projected over the 999-year term of the lease any estimate will be inaccurate and therefore has been omitted. The income for 2023/24 was £150,000 (2022/23 £140,000).

There are 5 leases that are not included in this table, that have little value or contain an immediate break clause.

## 39. MEMBERS' ALLOWANCES

During 2023/24, payments to Members of the Council amounted to £518,332. For 2022/23 the equivalent amount was £601,130.

## 40. SIGNIFICANT INTEREST

The Council has opted to take up its full member rights of three board members, out of seven, at the New Forest Enterprise Centre. This is classified as significant interest, but financial consolidation with the Council's accounts has not been applied, as the relationship does not meet the criteria of a Joint Venture, Associate or Subsidiary, nor is the turnover material.

## 41. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Financial Liabilities and Financial Assets disclosed in the Balance Sheet are analysed across the following categories:

**Financial Liabilities**

The financial liabilities held by the Council during the year were long-term loans from the Public Works Loan Board and are measured at amortised cost.

| FINANCIAL LIABILITIES | Long-Term | | Short-Term | |
|---|---|---|---|---|
| | **31 March 2023** | **31 March 2024** | **31 March 2023** | **31 March 2024** |
| | **£000** | **£000** | **£000** | **£000** |
| Loans at amortised cost: | | | | |
| PWLB principal sum borrowed | 114,004 | 119,904 | 4,301 | 4,100 |
| Accrued Interest | 0 | 0 | 43 | 55 |
| **Total Borrowing** | **114,004** | **119,904** | **4,344** | **4,155** |
| Liabilities at amortised cost: | | | | |
| Trade Creditors | 0 | 0 | 8,901 | 8,725 |
| **Total Financial Liabilities** | **114,004** | **119,904** | **13,245** | **12,880** |

# NOTES TO THE ACCOUNTS

**Financial Assets**

The financial assets held by the Council during the year are held under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- Cash
- Bank current and notice accounts
- Fixed term deposits with banks and building societies
- Loans to other Local Authorities
- Loans to Housing Associations
- Certificates of deposit and covered bonds issued by banks and building societies
- Treasury Bills and Gilts issued by the Government
- Bonds issued by multilateral development banks

Fair value through profit and loss (all other financial assets) comprising:

- Managed money market funds
- Pooled bonds, equity and property funds
- Appletree Property Holdings

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

| FINANCIAL ASSETS | Long-Term | | Short-Term | |
|---|---|---|---|---|
| | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 |
| | £000 | £000 | £000 | £000 |
| At amortised cost: | | | | |
| Principal | 0 | 0 | 1,029 | 7,972 |
| Accrued Interest | 0 | 0 | 0 | 130 |
| Credit Loss Allowance | 0 | 0 | 0 | 0 |
| At fair value through profit & loss: | | | | |
| Fair value | 14,609 | 9,567 | 1,959 | 2,004 |
| **Total Investments** | **14,609** | **9,567** | **2,988** | **10,106** |
| At amortised cost | | | | |
| Cash | 0 | 0 | 746 | 562 |
| Cash equivalents | 0 | 0 | 7,980 | 3,989 |
| Accrued interest | 0 | 0 | 19 | 9 |
| Loss Allowance | 0 | 0 | 0 | 0 |
| At fair value through profit & loss: | | | | |
| Fair value | 0 | 0 | 6,900 | 8,160 |
| **Total Cash and Cash Equivalents** | **0** | **0** | **15,645** | **12,720** |
| Loans and receivables: | | | | |
| Trade Debtors | 0 | 0 | 8,184 | 7,344 |
| **Total Financial Assets** | **14,609** | **9,567** | **26,817** | **30,170** |

Accrued interest is already accounted for in the Comprehensive Income and Expenditure Account.

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments only are made up as follows:

| | 2022/23 | | | | 2023/24 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial Liabilities Amortised Cost | Financial Assets Amortised Cost | Financial Assets Fair Value through Profit and Loss | Total | Financial Liabilities Amortised Cost | Financial Assets Amortised Cost | Financial Assets Fair Value through Profit and Loss | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest Expense | 4,067 | 0 | 0 | 4,067 | 3,957 | 0 | 0 | 3,957 |
| Losses from change in fair value | 0 | 0 | 1,767 | 1,767 | 0 | 0 | 309 | 309 |
| Impairment losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Interest payable and similar charges** | **4,067** | **0** | **1,767** | **5,834** | **3,957** | **0** | **309** | **4,266** |
| Interest Income | 0 | (325) | 0 | (325) | 0 | (564) | 0 | (564) |
| Dividend Income | 0 | 0 | (1,032) | (1,032) | 0 | 0 | (1,931) | (1,931) |
| Gains from changes in fair value | 0 | 0 | 0 | 0 | 0 | 0 | (52) | (52) |
| Impairment loss reversals | 0 | (2) | 0 | (2) | 0 | 0 | 0 | 0 |
| **Interest and Investment Income** | **0** | **(327)** | **(1,032)** | **(1,359)** | **0** | **(564)** | **(1,983)** | **(2,547)** |
| **Net Impact on surplus/deficit on provision of services** | **4,067** | **(327)** | **735** | **4,475** | **3,957** | **(564)** | **(1,674)** | **1,719** |
| **Impact on Other Comprehensive Income and Expenditure** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net (Gain)/Loss for the year** | **4,067** | **(327)** | **735** | **4,475** | **3,957** | **(564)** | **(1,674)** | **1,719** |

### Financial Instruments Key Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in 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 of 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 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 the counterparty to a financial asset will fail to meet is contractual obligations, causing a loss to the Council.
- Liquidity Risk – the possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rate movements or equity prices.

While the Council maintains responsibility for the Treasury Strategy a contract is held with the Hampshire County Council Treasury Team to administer the day-to-day Treasury function on behalf of the Council.

**Credit Risk - Investments**

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £8 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK Government). For unsecured investments in banks, building societies, registered providers and companies, a smaller limit of £4 million applies. The Council also sets limits on investments in certain sectors. No more than £35 million in total can be invested for a longer period than one year. These limits were set and implemented for 2023/24 on 26 February 2024.

The tables below summarise the credit risk exposures, including accrued interest, of the Council's investment portfolio by credit rating and remaining time to maturity.

| **Counterparty** | **Balance invested as at 31 March 2024** | | | | | |
|---|---|---|---|---|---|---|
| | **Call Accounts** | **Up to 1 month** | **> 1 month and < 6 months** | **> 6 months and < 12** | **> 12 months** | **Total** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Banks | 1,998 | | 20 | | | **2,018** |
| Money Market Funds | 8,160 | | | | | **8,160** |
| Local Authorities/Housing Associations | | 2,058 | 2,529 | 1,542 | | **6,129** |
| Bonds | | | | 1,952 | | **1,952** |
| Certificates of Deposit | | | | | | **0** |
| Treasury Bills | | 2,000 | | | | **2,000** |
| Pooled Funds | 2,004 | | | | 8,200 | **10,204** |
| Appletree Property Holdings | 0 | 0 | 0 | 0 | 1,367 | **1,367** |
| **Total** | **12,162** | **4,058** | **2,549** | **3,494** | **9,567** | **31,830** |

| Bond Ratings | Long-term | | Short-term | |
|---|---|---|---|---|
| | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 |
| | £000 | £000 | £000 | £000 |
| AAA | 0 | 0 | 1,009 | 1,952 |
| AA- | 0 | 0 | 7,971 | 3,977 |
| A+ | 0 | 0 | 20 | 21 |
| A | 0 | 0 | 28 | 21 |
| AAA Money Market Funds | 0 | 0 | 6,900 | 8,160 |
| Unrated local authorities | 0 | 0 | 0 | 6,129 |
| **Total** | **0** | **0** | **15,928** | **20,260** |
| Credit Rate Not Applicable | 14,609 | 9,567 | 1,959 | 2,004 |
| **Total Investments** | **14,609** | **9,567** | **17,887** | **22,264** |

Credit risk is not applicable to share holdings and pooled funds when the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 86% (2023 112%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a ‘’D’’ credit rating or equivalent.

At 31 March 2024, £454 (2023 £0) of loss allowances related to treasury investments.

The following analysis summarises the Council’s maximum exposure to credit risk on other financial assets (Trade Debtors), based on experience of default, adjusted to reflect current market conditions. The Council also receives income and holds debts from Council Tax, Business Rates and for Housing Benefit overpayments. However, these are statutory debts and whilst the Council endeavours to collect this income, it cannot choose who its counterparties are in relation to these debts. Such statutory debts are not classified as financial instruments, and for this reason no reference to statutory debts is contained within the following tables.

| Bond Ratings | Amount at 31 March 2024 | Historical experience of default | Market Conditions at 31 March 2024 | Estimated maximum exposure to default |
|---|---|---|---|---|
| | £000 | % | % | £000 |
| Trade Debtors | 7,344 | 0.76% | 1.22% | 90 |
| **Total** | **7,344** | | | **90** |

No breaches of the Council’s counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

### Trade Debtors

The Council does not generally allow credit for its trade debtors. The amount that is past its due date can be analysed by age as follows:

| | 31 March 2023 | 31 March 2024 |
|---|---|---|
| | £000 | £000 |
| Less than three months | 4,009 | 3,502 |
| Three months to one year | 1,636 | 1,044 |
| More than one year | 2,539 | 2,798 |
| **Total** | **8,184** | **7,344** |

The Council initiates a legal charge on property where tenants have amounts due on a Council mortgage used for the purchase of their Council dwelling. The total collateral at 31 March 2024 was £2,548.

Sundry Debtors bad debt provisions are based upon service areas for invoices that are still unpaid one year after they fall due, then adjusted for known changes and experience. Housing Rents bad debt provisions are based on percentages of the value of arrears for current and former tenants.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), also through cash flow management procedures required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The maturity analysis of financial assets excluding accrued interest and sums due from customers is as follows:

| | 31 March 2023 | 31 March 2024 |
|---|---|---|
| | £000 | £000 |
| Less than one year | 17,887 | 22,264 |
| Between one and two years | 0 | 0 |
| Between two and three years | 0 | 0 |
| No fixed maturity date | 14,609 | 9,567 |
| **Total** | **32,496** | **31,831** |

All trade and other payables (£7.344 million) are due to be paid in less than one year and are not shown in the table above.

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it may 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 Council's borrowing that matures in any one financial year.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period as approved by Council in the Treasury Management Strategy:

| | **Approved maximum limits 2023/24** | | **Actual 31 March 2023** | | **Actual 31 March 2024** | |
|---|---|---|---|---|---|---|
| | **£m** | **%** | **£m** | **%** | **£m** | **%** |
| Less than one year | 54 | 25 | 4.3 | 4 | 4.1 | 3 |
| Between one and two years | 55 | 25 | 4.1 | 3 | 4.1 | 3 |
| Between two and five years | 54 | 25 | 12.3 | 10 | 12.3 | 10 |
| Between five and ten years | 55 | 25 | 20.5 | 17 | 20.5 | 17 |
| Between ten and twenty years | 219 | 100 | 41.0 | 35 | 41.0 | 33 |
| Between twenty and forty years | 219 | 100 | 36.1 | 31 | 32.0 | 26 |
| Over forty years | 219 | 100 | 0.0 | 0 | 10.0 | 8 |
| **Total** | | | **118.3** | **100** | **124.0** | **100** |

The minimum limits have been set at zero and the maximum limit for more than 10 years at 100%. This is to facilitate the premature repayment and replacement of all PWLB loans with a longer maturity profile should this be required. The 25% maximum limit on the other periods of less than 10 years is to ensure an even maturity profile of short and medium-term borrowing.

### Market Risk

**Interest rate risk** – The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at 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 Comprehensive Income and Expenditure. 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 2024, all the £124.003 million (2023: £118.304 million) of principal borrowed was at fixed rates.

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

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£000** | **£000** |
| Increase in interest receivable on variable rate investments | (150) | (176) |
| Decrease in fair value of investments held at FVPL | 84 | 28 |
| **Impact on Surplus or Deficit on the Provision of Services** | **(66)** | **(148)** |
| Decrease in fair value of investments held at FVOCI | 0 | 0 |
| **Impact on Comprehensive Income and Expenditure Account** | **(66)** | **(148)** |
| Decrease in fair value of loans and investments at amortised cost* | 1 | 30 |
| Decrease in fair value of fixed rate borrowing* | (9,165) | (10,444) |

* No impact on Comprehensive Income and Expenditure

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

**Price Risk –** The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investments in pooled property funds are subject to the risk of falling commercial property prices. This risk is limited by the Council's investment strategy. A 5% fall in commercial property prices at 31 March 2024 would result in a £0.30 million (2023: £0.34 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. This risk is limited by the Council's investment strategy. A 5% fall in share prices at 31 March 2023 would result in a £0.06 million (2023: £0.13 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

**Foreign Exchange Risk –** The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

**Fair value of Assets and Liabilities carried at Amortised Cost**

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans from the PWLB 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.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term investments, including trade payables and receivables is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are shown in the table below, 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.

| | Fair Value Level | 31 March 2023 Balance Sheet £000 | 31 March 2023 Fair value £000 | 31 March 2024 Balance Sheet £000 | 31 March 2024 Fair value £000 |
|---|---|---|---|---|---|
| **Financial liabilities held at amortised cost:** | | | | | |
| Loans from PWLB | 2 | (118,348) | (100,028) | (124,059) | (107,747) |
| **Total** | | **(118,348)** | **(100,028)** | **(124,059)** | **(107,747)** |
| | | | | | |
| **Total Financial Liabilities** | | **(118,348)** | | **(124,059)** | |
| Recorded on balance sheet as: | | | | | |
| Short-term borrowing | | (4,344) | | (4,155) | |
| Long-term borrowing | | (114,004) | | (119,904) | |
| **Total Financial Liabilities** | | **(118,348)** | | **(124,059)** | |

The fair value of short-term financial liabilities held at amortised cost, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is lower than the carrying amount because the Council'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.

| | Fair Value Level | 31 March 2023 Balance Sheet £000 | 31 March 2023 Fair value £000 | 31 March 2024 Balance Sheet £000 | 31 March 2024 Fair value £000 |
|---|---|---|---|---|---|
| **Financial assets held at fair value:** | | | | | |
| Money market funds | 1 | 6,900 | 6,900 | 8,160 | 8,160 |
| Bond, equity and multi-asset funds | 1 | 7,930 | 7,930 | 3,244 | 3,244 |
| Property Funds | 2 | 7,270 | 7,270 | 6,961 | 6,961 |
| Appletree Property Holdings | 1 | 1,367 | 1,367 | 1,367 | 1,367 |
| **Financial assets held at amortised cost:** | | | | | |
| Corporate, covered and government bonds | 1 | 0 | 0 | 0 | 0 |
| Long-term loans to local authorities, housing associations, harbour commissioner and Appletree Property Holdings | 2 | 4,615 | 4,614 | 4,393 | 4,614 |
| **Total** | | **28,082** | **28,081** | **24,125** | **24,346** |
| Assets for which fair value is not disclosed* | | 17,958 | | 20,006 | |
| **Total Financial Assets** | | **46,040** | | **44,131** | |
| Recorded on balance sheet as: | | | | | |
| Long-term investments | | 14,608 | | 9,568 | |
| Long-term debtors | | 4,615 | | 4,393 | |
| Short-term investments | | 2,988 | | 10,106 | |
| Cash and cash equivalents | | 15,645 | | 12,720 | |
| Short-term trade debtors | | 8,184 | | 7,344 | |
| **Total Financial Assets** | | **46,040** | | **44,131** | |

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

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

The fair value adjustment is a note to the accounts only; no accounting entry is required.

## 42. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2023/24 are shown in the table below.

| **2023/24** | **Notes** | Salary (including fees and allowances) | Compensation for loss of office | Total Remuneration excluding pension contributions | Pension contributions | Total Remuneration including pension contributions |
|---|---|---|---|---|---|---|
| | | **£** | **£** | **£** | **£** | **£** |
| Chief Executive | | 137,504 | 0 | 137,504 | 25,301 | 162,805 |
| Returning Officer | a | 16,087 | 0 | 16,087 | 0 | 16,087 |
| | | 153,591 | 0 | 153,591 | 25,301 | 178,892 |
| Strategic Director - Corporate Resources, S151 and Transformation | | 97,049 | 0 | 97,049 | 17,857 | 114,906 |
| Strategic Director - Housing, Communities and Governance | b | 82,764 | 0 | 82,764 | 14,674 | 97,438 |
| Strategic Director - Place, Operations and Sustainability | | 105,863 | 0 | 105,863 | 19,479 | 125,342 |
| | | **439,267** | **0** | **439,267** | **77,311** | **516,578** |

The Employer's Pension Contributions were 18.40% for 2023/24 and 2022/23.
There were no Bonuses or Benefits in Kind paid in 2023/24 or 2022/23.

a) The Chief Executive undertook the Returning Officer role in 2023/24.
b) The Strategic Director Housing, Communities and Governance was in post until 18 January 2024, the annualised salary for the post was £99,887.

# NOTES TO THE ACCOUNTS

The figures for 2022/23 were:

| **2022/23** | **Notes** | Salary (including fees and allowances) | Compensation for loss of office | Total Remuneration excluding pension contributions | Pension contributions | Total Remuneration including pension contributions |
|---|---|---|---|---|---|---|
| | | **£** | **£** | **£** | **£** | **£** |
| Chief Executive | | 127,939 | 0 | 127,939 | 23,541 | 151,480 |
| Strategic Director - Corporate Resources, S151 and Transformation | c | 37,976 | 0 | 37,976 | 6,987 | 44,963 |
| Strategic Director - Housing, Communities and Governance | d | 39,069 | 0 | 39,069 | 7,189 | 46,258 |
| Strategic Director - Place, Operations and Sustainability | e | 3,300 | 0 | 3,300 | 607 | 3,907 |
| Executive Head - Governance and Regulation | f | 53,166 | 0 | 53,166 | 9,782 | 62,948 |
| Executive Head - Resources | g | 73,427 | 75,058 | 148,485 | 13,207 | 161,692 |
| Chief Finance Officer (S151) | h | 50,242 | 0 | 50,242 | 9,245 | 59,487 |
| Chief Planning Officer | i | 83,329 | 0 | 83,329 | 15,337 | 98,666 |
| | | **468,448** | **75,058** | **543,506** | **85,895** | **629,401** |

c) The Strategic Director Corporate Resource, S151 and Transformation was in post from 1 November 2022, the annualised salary for the post was £91,141.

d) The Strategic Director Housing, Communities and Governance was in post fom 1 November 2022, the annualised salary for this post was £93,767.

e) The Strategic Director Places, Operations and Sustainability was in post from 20 March 2023, the annualised salary for the post was £102,283.

f) The Executive Head Governance and Regulation was in post until 31 October 2022, the annualised salary for the post was £86,130.

g) The Executive Head Resources left on 31 January 2023. The annualised salary for the post was £86,130.

h) The Chief Finance Officer was in post until 31 October 2022, the annualised salary for the post was £86,130.

i) The Chief Planning Officer left on 19 March 2023. The annualised salary for the post was £86,130.

The other officers whose remuneration, including termination benefit costs but excluding pension contributions, was above £50,000 were:

| Remuneration Band | Number of Employees | | | |
|---|---|---|---|---|
| | 2022/23 | | 2023/24 | |
| | Left During Year | Total | Left During Year | Total |
| £ 50,000 - £ 54,999 | 2 | 30 | 1 | 17 |
| £ 55,000 - £ 59,999 | 1 | 6 | 2 | 20 |
| £ 60,000 - £ 64,999 | 0 | 1 | 0 | 5 |
| £ 65,000 - £ 69,999 | 0 | 10 | 0 | 3 |
| £ 70,000 - £ 74,999 | 0 | 2 | 0 | 7 |
| £ 75,000 - £ 79,999 | 0 | 0 | 0 | 3 |
| £ 80,000 - £ 84,999 | 0 | 1 | 0 | 0 |
| | 3 | 50 | 3 | 55 |

## 43. TERMINATION BENEFITS

The Council terminated the contracts of 16 employees in 2023/24, incurring costs of £42,185 (8 employees, £127,923 in 2022/23). There was no redundancy provision at the end of 2023/24 or 2022/23.

| Exit Package Cost Band (including special payments) | Number of Compulsory Redundancies | Number of Other Departures Agreed | Total Number of Exit Packages by Cost Band | Total Cost of Exit Packages in Each Band £ |
|---|---|---|---|---|
| **2023/24** | | | | |
| £0 - £20,000 | 3 | 13 | **16** | **42,185** |
| **Total** | **3** | **13** | **16** | **42,185** |
| **2022/23** | | | | |
| £0 - £20,000 | 0 | 6 | **6** | **15,896** |
| £20,000-£100,000 | 2 | 0 | **2** | **112,027** |
| **Total** | **2** | **6** | **8** | **127,923** |

## 44. ASSETS HELD FOR SALE

There were no assets held for sale at 31 March 2024.

## 45. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to limit another party's ability to bargain freely with the Council.

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 the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in note 37.

The Council has a wholly owned group subsidiary consisting of an active holding company, Appletree Holdings Limited, that has two subsidiaries, Appletree Property Lettings Limited has been active since 2019/20 and Appletree Residential Developments Limited which is a dormant company. Each has the same Board of Directors comprised solely of Council members and officers. As 31 March 2024 the Council had a long-term debtor of £3.713 million and investment of £1.367 million, both have remained unchanged since 31 March 2023.

During 2023/24 the Council provided office accommodation, financial services (including Internal Audit), human resources and ICT system support to the New Forest National Park Authority. The total income received for 2023/24 was £309,000 (£321,000 for 2022/23). Income due at 31 March 2024 amounted to £41,000 (£1,000 at 31 March 2023). The New Forest National Park Authority provided Ranger and Archaeology services and Land Charges reports to the Council which amounted to £58,700 for 2023/24 (in 2022/23 £55,200). £3,750 was owed to the New Forest National Park Authority at 31 March 2024 (£7,200 owed at 31 March 2023).

Members of the Council have direct control over the Council's financing and operating policies. The total of members' allowances paid is shown in note 39. During 2023/24 and 2022/23 no money was paid to companies in which members had an interest. In 2023/24 and 2022/23, no payments were paid to organisations in which members had an interest, but on which there is no Council representative. One member, who was a councillor until the elections in May 2023, was employed by the Council's bank; this contract was tendered and commenced in December 2014. There were no material transactions with any chief officers during the year.

## 46. GOING CONCERN

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The agreed balanced budget for 2024/25 and the Medium Term outlook to 2027/28 are supported by robust financial planning, estimates and assumptions. The Council has plans to address the forecast deficit over the period and as confirmed within the Section 25 statement of the Medium Term Financial Plan, adequate reserves will be maintained above minimum levels. The updated Treasury Management and Investment Strategies pick up on the forecast cashflow position, taking into account the Council's Capital Programme aspirations, covering the period to the end of April 2025. The Council will optimise the cash balances it has and has the option to prudentially borrow to support Capital Programme financing when required.

The Appletree Property Holdings group of companies depend upon the Council for ongoing financial support. The Council is committed to providing this support in the short to medium term as the companies assist with the provision of housing in the New Forest. Provision of expected loan drawdowns and other financial support has been incorporated into the Council's cash flow forecasts and medium-term financial plans.

# HOUSING REVENUE ACCOUNT
# INCOME AND EXPENDITURE STATEMENT

| 2022/23 | | | 2023/24 |
|---|---|---|---|
| £000 | | Notes | £000 |
| | **Income** | | |
| (28,084) | Dwelling rents | | (30,224) |
| (645) | Non-dwelling rents | | (662) |
| (764) | Charges for services and facilities | | (923) |
| (370) | Contributions towards expenditure | | (478) |
| **(29,863)** | | | **(32,287)** |
| | **Expenditure** | | |
| 5,542 | Repairs and maintenance | 3 | 6,406 |
| 9,693 | Supervision and management | | 8,535 |
| 142 | Rents, rates, taxes and other charges | | 218 |
| 13,607 | Depreciation, impairment and revaluation of non-current assets | 4 | 22,748 |
| 12 | Debt Management Costs | | 15 |
| 260 | Movement in the allowance for bad debts | | 227 |
| **29,256** | | | **38,149** |
| **(607)** | **Net (Income) / Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement** | | **5,862** |
| 146 | HRA services' share of Corporate and Democratic Core | | 145 |
| **(461)** | **Net (Income) / Expenditure for HRA Services** | | **6,007** |
| | **HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement** | | |
| (1,969) | (Gain) / Loss on sale of HRA non-current assets | | (1,502) |
| 4,100 | Interest payable and similar charges | | 4,731 |
| (193) | Interest and investment income | | (612) |
| 563 | Net interest on the net defined benefit liability / (asset) | 5 | 197 |
| (13) | Income and expenditure in relation to investment properties and changes in their fair value | | (13) |
| (2,551) | Capital Grants and Contributions Receivable | | (3,289) |
| **(524)** | **(Surplus) or Deficit for the year on HRA services** | | **5,519** |

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. HOUSING REVENUE ACCOUNT ASSETS

### a) Categorised by type of accommodation

| 31 March 2024 | Houses | Bungalows | Flats | Total |
|---|---|---|---|---|
| Bedsits | 0 | 0 | 210 | 210 |
| 1 Bedroom | 5 | 358 | 859 | 1,222 |
| 2 Bedrooms | 742 | 497 | 456 | 1,695 |
| 3 Bedrooms | 1,964 | 18 | 7 | 1,989 |
| 4+ Bedrooms | 120 | 1 | 0 | 121 |
| **Total** | **2,831** | **874** | **1,532** | **5,237** |

| 31 March 2023 | Houses | Bungalows | Flats | Total |
|---|---|---|---|---|
| Bedsits | 0 | 0 | 209 | 209 |
| 1 Bedroom | 5 | 358 | 850 | 1,213 |
| 2 Bedrooms | 738 | 497 | 443 | 1,678 |
| 3 Bedrooms | 1,952 | 18 | 7 | 1,977 |
| 4+ Bedrooms | 116 | 1 | 0 | 117 |
| **Total** | **2,811** | **874** | **1,509** | **5,194** |



### b) Vacant Possession Value of Dwellings

The following analysis shows the value of dwellings within the HRA if they were sold on the open market with vacant possession.

| | 1 April 2022 | 1 April 2023 |
|---|---|---|
| | £000 | £000 |
| **Council Housing Assets** | | |
| Standard Dwellings | 1,139,821 | 1,233,201 |
| Restricted Housing | 82,922 | 89,542 |
| Special Housing | 7,061 | 11,295 |
| Garages | 8,267 | 8,036 |
| | **1,238,071** | **1,342,074** |
| **Other Assets** | | |
| Investment Property | 179 | 179 |
| Land and Other Buildings | 927 | 952 |
| Community Centre | 0 | 0 |
| | **1,106** | **1,131** |
| | **1,239,177** | **1,343,205** |

## c) Gross Value and Number by Type of HRA Assets

This analysis shows the gross value and number by types of dwelling within the HRA. The Balance Sheet value differs from the open market value, reflecting the economic cost to government of providing council housing at less than open market rents.

| | 1 April 2023 | | 31 March 2024 | |
|---|---|---|---|---|
| | Number of Units | Value £000 | Number of Units | Value £000 |
| **Council Housing Assets** | | | | |
| Standard Dwellings | 4,564 | 406,956 | 4,606 | 382,332 |
| Restricted Housing | 553 | 29,549 | 554 | 27,494 |
| Special Housing | 77 | 11,295 | 77 | 10,571 |
| Garages | 1,755 | 8,035 | 1,742 | 6,043 |
| | **6,949** | **455,835** | **6,979** | **426,440** |
| **Other Assets** | | | | |
| Investment Property | 1 | 179 | 1 | 179 |
| Land and Other Buildings | 12 | 1,018 | 10 | 501 |
| | **13** | **1,197** | **11** | **680** |
| **Total** | **6,962** | **457,032** | **6,990** | **427,120** |

## d) Capital Expenditure

Housing Revenue Account capital expenditure was applied to:

| | 2022/23 | 2023/24 |
|---|---|---|
| | £000 | £000 |
| Major Repairs | 8,067 | 11,259 |
| Environmental Enhancements | 216 | 110 |
| Acquisition and Development Programme | 12,651 | 13,979 |
| Disabled Adaptations | 1,141 | 1,034 |
| **Total** | **22,075** | **26,382** |

## e) Funding of HRA Capital Expenditure

| | 2022/23 | 2023/24 |
|---|---|---|
| | £000 | £000 |
| Revenue Contributions | 1,400 | 2,333 |
| Major Repairs Reserve | 9,822 | 10,192 |
| Loan | 5,000 | 8,000 |
| Grant | 2,084 | 3,858 |
| Capital Receipts | 3,769 | 1,999 |
| **Total** | **22,075** | **26,382** |

## NOTES TO THE HOUSING REVENUE ACCOUNT

## 2. RENT ARREARS

| | | 31 March 2023 | 31 March 2024 |
|---|---|---|---|
| | | **£000** | **£000** |
| Rent Arrears | - current tenants | 802 | 953 |
| | - former tenants | 430 | 429 |
| | | **1,232** | **1,382** |
| Less provision for bad debts | | (885) | (980) |
| **Anticipated collectable arrears of rent** | | **347** | **402** |

## 3. HOUSING REPAIRS

The following table shows expenditure for the different categories of work undertaken on housing repairs:

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£000** | **£000** |
| Cyclical Maintenance | 1,364 | 1,513 |
| Reactive Maintenance | 4,178 | 4,893 |
| **Total** | **5,542** | **6,406** |

The Council also undertook £11.259 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, windows, doors and roof replacements and kitchen and bathroom modernisations.

## 4. HRA DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

### a) Depreciation

The figures below show the depreciation charged to the Housing Revenue Account analysed over type of asset.

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£000** | **£000** |
| Standard Accommodation | 8,998 | 9,262 |
| Restricted Accommodation | 655 | 673 |
| Special Housing | 169 | 257 |
| | **9,822** | **10,192** |
| Other (included in Supervision and Management costs) | 1 | 1 |
| **Total** | **9,823** | **10,193** |

## b) Impairment

In 2023/24 there was a net increase in housing asset values credited to the Housing Revenue Account of £7.095 million but these were offset by capital expenditure not enhancing value of £19.651 million to arrive at a net valuation impairment of £12.556 million. This compares to a net impairment of £3.785 million in 2022/23. In 2023/24 other net housing asset valuation impairments debited to the Revaluation Reserve were £31.691 million (£32.643 million increase in 2022/23).

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£000** | **£000** |
| **Housing Revenue Account/Capital Adjustment Account** | | |
| Revaluation Increases | (10,757) | (10,192) |
| Revaluation Decreases | 468 | 3,097 |
| Net Revaluation (Increases)/Decreases | (10,289) | (7,095) |
| Capital Expenditure not enhancing asset value | 14,074 | 19,651 |
| **Total Housing Revenue Account Impairment** | **3,785** | **12,556** |
| **Revaluation Reserve** | | |
| Revaluation Increases | (32,874) | (36) |
| Revaluation Decreases | 231 | 31,727 |
| **Total Revaluation Reserve** | **(32,643)** | **31,691** |
| **Total HRA Impairments/Revaluations** | **(28,858)** | **44,247** |

## 5. HRA CONTRIBUTION TO/FROM THE PENSION RESERVE

The Council has applied IAS19 to the Housing Revenue Account. This means that service expenditure reflects the appropriate allocation of retirement costs earned in the year rather than actual employer's contributions made. An appropriation has been made from the Pensions Reserve to negate the impact on the Housing Revenue Account balance of all items. The following transactions have been made in the HRA:

| | 2022/23 | 2023/24 |
|---|---|---|
| | **£000** | **£000** |
| Net Cost of Services: | | |
| Current service cost | 2,851 | 1,232 |
| Net Operating Expenditure: | | |
| Net Interest Expense | 563 | 197 |
| Net Defined Benefit Liability Remeasured | | |
| Return on plan assets (excluding the amount included in the net interest expense) | 2,394 | (1,667) |
| Actuarial (Gains) / Losses arising on changes in demographic assumptions | 2 | (840) |
| Actuarial (Gains) / Losses arising on changes in financial assumptions | (14,013) | 14 |
| Actuarial (Gains) / Losses due to liability experience | 2,856 | 724 |
| Amounts to be met from Government Grants and Local Taxation | | |
| Movement on pensions reserve | 6,405 | 1,517 |
| **Actual amount charged against dwelling rents for pensions in the year:** | | |
| **Employers' contributions payable to scheme** | **1,058** | **1,178** |

## 6. MAJOR REPAIRS RESERVE

The following table shows the movements on the Major Repairs Reserve.

| | 2022/23 | 2023/24 |
|---|---|---|
| | £000 | £000 |
| **Balance 1 April** | **0** | **0** |
| Transferred to Reserve | 9,822 | 10,192 |
| Debits in respect of capital expenditure on land, houses and other property | (9,822) | (10,192) |
| **Balance 31 March** | **0** | **0** |

## 7. CAPITAL RECEIPTS

The following table shows the income from Capital Receipts. Total Capital Receipts in respect of the Housing Revenue Account are shown after adjustments for administration and other costs.

| | 2022/23 | 2023/24 |
|---|---|---|
| | £000 | £000 |
| Sale of Land | 0 | 4 |
| Sale of Council Houses | 3,944 | 2,172 |
| Discount Repaid | 15 | 19 |
| Shared Ownership | 0 | 604 |
| Mortgages Repaid | 0 | 1 |
| Disabled Facilities Grants | 26 | 0 |
| **Usable Capital Receipts** | **3,985** | **2,800** |

# COLLECTION FUND

The Collection Fund is an agent's statement that shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates due to the complexity of non-domestic rates transactions.

## COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire and Isle of Wight Fire and Rescue Service and local town and parish councils.

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| £000 | £000 | | £000 | £000 |
| | | **Income** | | |
| | (144,538) | Income from Council Tax | | (152,269) |
| | | Transfers to / (from) General Fund: | | |
| 0 | | Support Fund Relief | (212) | |
| 0 | | Hardship Relief | 1 | |
| (110) | (110) | Family Annex Relief | (122) | (333) |
| | **(144,648)** | **Total Income** | | **(152,602)** |
| | | **Expenditure** | | |
| | | Precepts: | | |
| 100,312 | | Hampshire County Council | 105,535 | |
| 17,054 | | Police and Crime Commissioner for Hampshire | 18,173 | |
| 5,440 | | Hampshire and Isle of Wight Fire And Rescue Service | 5,813 | |
| 20,572 | | New Forest District Council (including | 21,568 | |
| | 143,378 | town and parish council requirements) | | 151,089 |
| | | Bad and Doubtful Debts | | |
| 180 | | Write-offs | 269 | |
| 346 | 526 | Increase / (decrease) in provisions | 362 | 631 |
| | | Contributions: | | |
| | 1,774 | Previous year's estimated council tax surplus / (deficit) | | 1,842 |
| | **145,678** | **Total Expenditure** | | **153,562** |
| | **1,030** | **Movement on fund balance** | | **960** |
| | (2,961) | (Surplus) / Deficit at 1 April | | (1,931) |
| | 1,030 | Movement on fund balance for year | | 960 |
| | **(1,931)** | **(Surplus) / Deficit at 31 March** | | **(971)** |

# COLLECTION FUND

## COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service.

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| £000 | £000 | | £000 | £000 |
| | | **Income** | | |
| | | Income collectable from Business Ratepayers | | |
| | (61,065) | Current System | | (65,219) |
| | 208 | Transitional Protection Payments | | (5,461) |
| | **(60,857)** | **Total Income** | | **(70,680)** |
| | | **Expenditure** | | |
| 32,334 | | Payments to Government - Business Rates Retention | 36,975 | |
| 25,867 | | New Forest District Council | 29,580 | |
| 5,820 | | Hampshire County Council | 6,655 | |
| 647 | | Hampshire and Isle of Wight Fire And Rescue Service | 739 | |
| 280 | | Costs of Collection | 288 | |
| 9 | | NFDC - Renewable Energy Schemes | 12 | |
| | 64,957 | | | 74,249 |
| | | Bad and Doubtful Debts | | |
| 117 | | Write-offs | 258 | |
| 71 | | Increase / (decrease) in provisions | 80 | |
| 1,693 | | Increase / (decrease) in Appeals Provision | (4,830) | |
| | 1,881 | | | (4,492) |
| | | Contributions: | | |
| | (17,424) | Previous year's estimated business rates surplus / (deficit) | | (976) |
| | **49,414** | **Total Expenditure** | | **68,781** |
| | **(11,443)** | **Movement on fund balance** | | **(1,899)** |
| | 15,818 | (Surplus) / Deficit at 1 April | | 4,375 |
| | (11,443) | Movement on fund balance for year | | (1,899) |
| | **4,375** | **(Surplus) / Deficit at 31 March** | | **2,476** |

## NOTES TO THE COLLECTION FUND

## 1. GENERAL

Any surplus or deficit in respect of Council Tax at the end of the year is, during the next year distributed between the billing authority and major precepting authorities in proportion to their precepts in the year the surplus or deficit occurred.

Any surplus or deficit in respect of Business Rates at the end of the year is distributed in accordance with the percentage allocations set out in note 5 below.

## 2. CALCULATION OF THE TAX BASE

The Council Tax charge for the year is calculated by dividing the Council's budget requirement by the Council's tax base.

The tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

New Forest District Council's tax base for tax setting purposes was calculated as follows:

| Band | Estimated number of Taxable Properties * | Ratio | Number of Band D Equivalent Properties |
|---|---|---|---|
| Disabled A | 29.25 | 5/9 | 16.30 |
| A | 5,835.79 | 6/9 | 3,890.50 |
| B | 10,661.22 | 7/9 | 8,299.80 |
| C | 16,440.54 | 8/9 | 14,613.80 |
| D | 17,602.54 | 9/9 | 17,602.50 |
| E | 12,553.16 | 11/9 | 15,342.70 |
| F | 6,636.32 | 13/9 | 9,585.80 |
| G | 4,302.08 | 15/9 | 7,190.10 |
| H | 567.00 | 18/9 | 1,134.00 |
| Total | 74,627.90 | | 77,675.50 |
| Less: Adjustment for collection rates | | | 869.31 |
| Less: Council Tax Reduction Scheme | | | 4,534.49 |
| Council Tax Base | | | 72,271.70 |

* after adjusting for the effects of discounts and anticipated changes during the year for new properties, demolitions, disabled persons relief, exempt properties and successful appeals against valuations.

## 3. ACCOUNTING FOR THE COLLECTION FUND BALANCE – COUNCIL TAX

The opening balance on the Collection Fund for 2023/24 was a £1.931 million surplus. The surplus at the end of the year is split between Hampshire County Council, New Forest District Council, Police and Crime Commissioner for Hampshire and Hampshire and Isle of Wight Fire and Rescue Service.

In the Balance Sheet at 31 March 2024, the Council included the £971,000 surplus on a disaggregated basis as a creditor of £833,000 and a £138,000 attributable surplus within the Collection Fund Adjustment Account balance.

## 4. PRECEPTS AND DEMANDS ON THE COLLECTION FUND – COUNCIL TAX

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| **Precept £000** | **Share of Surplus £000** | **Total £000** | | **Precept £000** | **Share of Surplus £000** | **Total £000** |
| 100,312 | 1,350 | 101,662 | Hampshire County Council | 105,535 | 678 | 106,213 |
| 17,054 | 232 | 17,286 | Police and Crime Commissioner for Hampshire | 18,173 | 117 | 18,290 |
| 5,440 | 74 | 5,514 | Hampshire and Isle of Wight Fire and Rescue Service | 5,813 | 38 | 5,851 |
| 20,572 | 275 | 20,847 | New Forest District Council (including town and parish council requirements) | 21,568 | 138 | 21,706 |
| **143,378** | **1,931** | **145,309** | | **151,089** | **971** | **152,060** |

## 5. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate determined by the Government. The total amount, less certain reliefs and other reductions is paid into the Collection Fund before being distributed to Central Government (50%), New Forest District Council (40%), Hampshire County Council (9%) and Hampshire and Isle of Wight Fire and Rescue Service (1%).

The total non-domestic rateable value at 31 March 2024 was £195.190 million. The national non-domestic multiplier was 51.2p. This gave a potential business rate yield of £99.937 million. After allowing for items such as rateable value amendments, empty properties, small property reductions, additional reliefs as a result of the pandemic and transitional and charitable reliefs, the net amount of business rates collectable was £65.219 million.

## NOTES TO THE COLLECTION FUND

### 6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2023/24 year-end deficit balance on the Collection Fund was £2.476 million. The Council's share is a deficit of £990,000 and Central Government, Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service share a deficit balance of £1.486 million. Within the balance sheet the Council's share is shown within the Collection Fund Adjustment Account balance and the partners' share is netted off within debtors. The funding (additional S31 grant) to cover the Council's share of the deficit is held within Earmarked Reserves.

### 7. DEMANDS ON THE COLLECTION FUND – BUSINESS RATES

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| **Demand** | **Share of Surplus / (Deficit)** | **Total** | | **Demand** | **Share of Surplus / (Deficit)** | **Total** |
| **£000** | **£000** | **£000** | | **£000** | **£000** | **£000** |
| 32,334 | (2,187) | 30,147 | Central Government | 36,975 | (1,238) | 35,737 |
| 5,820 | (394) | 5,426 | Hampshire County Council | 6,655 | (223) | 6,432 |
| 647 | (44) | 603 | Hampshire and Isle of Wight Fire and Rescue Service | 739 | (25) | 714 |
| 25,867 | (1,750) | 24,117 | New Forest District Council | 29,580 | (990) | 28,590 |
| **64,668** | **(4,375)** | **60,293** | | **73,949** | **(2,476)** | **71,473** |

# NEW FOREST DISTRICT COUNCIL
# SUPPLEMENTARY STATEMENTS
# GROUP ACCOUNTS

The group accounts contain core financial statements similar to those included in the Council's single entity statements but which represent the consolidated position of the group.

The group accounts are presented in the following pages and include:



Notes to the group accounts:

1 Overview
2 Accounting Policies
3 Group Property, Plant and Equipment
4 Group Long Term Debtors

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This account summarises the resources generated and consumed in providing services and managing the Group during the year.

| Restated 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| **Gross Expend £000** | **Gross Income £000** | **Net Expend £000** | | **Gross Expend £000** | **Gross Income £000** | **Net Expend £000** |
| 10,095 | (3,029) | 7,066 | Community Safety and Wellbeing | 5,144 | (2,823) | 2,321 |
| 18,046 | (7,490) | 10,556 | Environment and Sustainability | 17,349 | (7,970) | 9,379 |
| 35,649 | (30,578) | 5,071 | Finance and Corporate | 34,125 | (30,058) | 4,067 |
| 10,138 | (6,354) | 3,784 | Housing and Homelessness | 9,084 | (6,956) | 2,128 |
| 698 | (135) | 563 | Leader | 1,418 | (360) | 1,058 |
| 6,196 | (2,006) | 4,190 | Planning and Economy | 5,432 | (1,814) | 3,618 |
| 80,822 | (49,592) | 31,230 | General Fund | 72,552 | (49,981) | 22,571 |
| 29,402 | (29,863) | (461) | Housing Revenue Account | 38,293 | (32,286) | 6,007 |
| **110,224** | **(79,455)** | **30,769** | **Cost of Services** | **110,845** | **(82,267)** | **28,578** |
| | | | **Other Operating Expenditure** | | | |
| 6,987 | | | Town and Parish Council Precepts | 7,548 | | |
| | (2,078) | | (Gains)/Losses on the disposal of Non-Current Assets | | (1,523) | |
| 0 | 0 | | VAT Assessment / (Refund) | 0 | (668) | |
| | | | Car Parks Non Domestic Rates Refund | | | |
| | | **4,909** | **Total Other Operating Expenditure** | | | **5,357** |
| | | | **Financing and Investment Income and Expenditure** | | | |
| | | | Interest Payable and Similar Charges: | | | |
| 10 | | | - General Fund | 4 | | |
| 4,099 | | | - HRA | 4,731 | | |
| | (3) | | Expected Credit (Gain)/Loss on Investments | | 0 | |
| 1,768 | 0 | | Changes in the fair value of Investments | 321 | (90) | |
| | (1,704) | | Other Investment Income | | (3,393) | |
| 2,221 | | | Net interest on the net defined benefit liability/(asset) | 786 | | |
| | (412) | | Income, expenditure and changes in the fair value of Investment Properties | | (716) | |
| | | **5,979** | **Total Financing and Investment Income and Expenditure** | | | **1,643** |
| | | | **Taxation and Non-Specific Grant Income** | | | |
| | (20,678) | | Council Tax Income (incl. Parish precepts) | | (21,693) | |
| | (5,802) | | Non-Domestic Rates Income and Expenditure | | (8,034) | |
| | (833) | | Unringfenced Government Grants | | (879) | |
| | (5,765) | | Capital Grants and Contributions | | (4,946) | |
| | | **(33,078)** | **Total Taxation and Non-Specific Grant Income** | | | **(35,552)** |
| 125,309 | (116,730) | **8,579** | **(Surplus)/Deficit on the Provision of Services** | 124,235 | (124,209) | **26** |
| | (34,441) | | (Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets | | 31,540 | |
| | (73,466) | | Re-measurement of the defined benefit liability/(asset) | | (9,958) | |
| | | **(107,907)** | **Other Comprehensive Income and Expenditure** | | | **21,582** |
| | | **(99,328)** | **Total Comprehensive Income and Expenditure** | | | **21,608** |

# GROUP MOVEMENT IN RESERVES STATEMENT

This schedule shows the movement in the year of the Council's single entity usable and unusable reserves as well as the Council's share of the group reserves.



| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Council's share of the Reserves of Subsidiaries | TOTAL GROUP RESERVES |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2022** | **(60,777)** | **(290,187)** | **(350,964)** | 579 | **(350,385)** |
| ***Movement in reserves during 2022/23*** | | | | | |
| (Surplus)/deficit on the provision of services | 8,676 | 0 | **8,676** | (97) | **8,579** |
| Other comprehensive income and expenditure | 0 | (107,824) | **(107,824)** | (83) | **(107,907)** |
| **Total Comprehensive Income and Expenditure** | **8,676** | **(107,824)** | **(99,148)** | **(180)** | **(99,328)** |
| Adjustment between group accounts and authority accounts | (167) | 0 | **(167)** | 167 | **0** |
| **Net (Increase)/Decrease before transfers** | **8,509** | **(107,824)** | **(99,315)** | **(13)** | **(99,328)** |
| Adjustments between accounting basis and funding basis under regulations | (252) | 252 | **0** | 0 | **0** |
| **Net (Increase)/Decrease Before Transfers to Earmarked Reserves** | **8,257** | **(107,572)** | **(99,315)** | **(13)** | **(99,328)** |
| Transfers to/(from) earmarked reserves | 0 | 0 | **0** | 0 | **0** |
| **(Increase) / Decrease in Year** | **8,257** | **(107,572)** | **(99,315)** | **(13)** | **(99,328)** |
| **Balance at 31 March 2023** | **(52,520)** | **(397,759)** | **(450,279)** | **566** | **(449,713)** |
| ***Movement in reserves during 2023/24*** | | | | | |
| (Surplus)/deficit on the provision of services | 232 | 0 | **232** | (206) | **26** |
| Other comprehensive income and expenditure | 0 | 21,662 | **21,662** | (80) | **21,582** |
| **Total Comprehensive Income and Expenditure** | **232** | **21,662** | **21,894** | **(286)** | **21,608** |
| Adjustment between group accounts and authority accounts | (192) | 0 | **(192)** | 192 | **0** |
| **Net (Increase)/Decrease before transfers** | **40** | **21,662** | **21,702** | **(94)** | **21,608** |
| Adjustments between accounting basis and funding basis under regulations | 436 | (436) | **0** | 0 | **0** |
| **Net (Increase)/Decrease Before Transfers to Earmarked Reserves** | **476** | **21,226** | **21,702** | **(94)** | **21,608** |
| Transfers to/(from) Earmarked Reserves | 0 | 0 | **0** | 0 | **0** |
| **(Increase) / Decrease in Year** | **476** | **21,226** | **21,702** | **(94)** | **21,608** |
| **Balance at 31 March 2024** | **(52,044)** | **(376,533)** | **(428,577)** | **472** | **(428,105)** |

# GROUP BALANCE SHEET

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| £000 | £000 | | £000 | £000 |
| | | **Long-Term Assets** | | |
| | | Property, Plant and Equipment: | | |
| 455,835 | | Council Dwellings | 426,440 | |
| 79,484 | | Other Land and Buildings | 80,502 | |
| 5,286 | | Vehicles, Plant and Equipment | 5,453 | |
| 2,509 | | Infrastructure | 2,252 | |
| 537 | | Community Assets | 534 | |
| 6,030 | 549,681 | Assets Under Construction | 8,359 | 523,540 |
| | 30,685 | Investment Property | | 30,325 |
| | 13,241 | Long-Term Investments | | 8,201 |
| | 902 | Long-Term Debtors | | 680 |
| | 594,509 | **Total Long-Term Assets** | | 562,746 |
| | | **Current Assets** | | |
| | | Assets Held For Sale - Property | | |
| 2,988 | | Short-Term Investments | 10,106 | |
| 353 | | Inventories | 393 | |
| 12,033 | | Short-Term Debtors | 12,155 | |
| (2,866) | | Bad Debt Provision | (3,049) | |
| 15,675 | | Cash and Cash Equivalents | 12,737 | |
| | 28,183 | **Total Current Assets** | | 32,342 |
| | **622,692** | **Total Assets** | | **595,088** |
| | | **Current Liabilities** | | |
| (4,345) | | Short-Term Borrowing | (4,155) | |
| (28,577) | | Short-Term Creditors | (27,757) | |
| | (32,922) | **Total Current Liabilities** | | (31,912) |
| | | **Long-Term Liabilities** | | |
| (114,003) | | Long-Term Borrowing | (119,904) | |
| (4,527) | | Provisions | (2,594) | |
| (365) | | Developers' Contributions - Receipts in Advance | (360) | |
| (21,162) | | Net Pensions Liability | (12,213) | |
| | (140,057) | **Total Long-Term Liabilities** | | (135,071) |
| | **449,713** | **Net Assets** | | **428,105** |
| | | **Usable Reserves** | | |
| 3,000 | | General Fund Balance | 3,000 | |
| 26,880 | | Earmarked Reserves | 27,193 | |
| 1,000 | | Housing Revenue Account Balance | 1,000 | |
| 6,186 | | Capital Receipts Reserve | 6,047 | |
| 2,944 | | Capital Grants Unapplied | 2,498 | |
| 8,032 | | Community Infrastructure Levy Unapplied | 8,527 | |
| 4,243 | 52,285 | Developers' Contributions Unapplied | 3,497 | 51,762 |
| | | **Unusable Reserves** | | |
| 117,515 | | Revaluation Reserve | 85,897 | |
| 302,873 | | Capital Adjustment Account | 304,098 | |
| (358) | | Financial Instruments Revaluation Reserve | (588) | |
| 503 | | Deferred Capital Receipts Reserve | 475 | |
| (21,162) | | Pensions Reserve | (12,213) | |
| (1,475) | | Collection Fund Adjustment Account | (852) | |
| (468) | 397,428 | Accumulating Absences Adjustment Account | (474) | 376,343 |
| | **449,713** | **Total Reserves** | | **428,105** |

## GROUP CASH FLOW STATEMENT

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

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| 8,579 | Net (surplus) or deficit on the provision of services | 26 |
| (13,603) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (23,116) |
| 4,053 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 2,803 |
| (971) | Net cash flows from Operating Activities | (20,287) |
| (12,422) | Investing Activities | 23,908 |
| 22,341 | Financing Activities | (683) |
| 8,948 | Net (increase) or decrease in cash and cash equivalents | 2,938 |
| (24,623) | Cash and cash equivalents at the beginning of the reporting period | (15,675) |
| (15,675) | **Cash and cash equivalents at the end of the reporting period** | (12,737) |

# NOTES TO THE GROUP ACCOUNTS

## 1. OVERVIEW

New Forest District Council chooses to deliver its services through a variety of delivery models, either under ultimate control or in partnership with other organisations. The financial statements consider the New Forest District Council as a single entity, thus any business interests in other organisations are reflected in terms of the level of the Council's investment and not their financial performance, year-end balances and exposure to risk. In order to reflect a full picture of the Council's financial activities and business relationships, group financial statements are produced to reflect the extent of New Forest District Council's involvement in group undertakings.

**The Group**

The relevant accounting standards have been applied in determining how the organisations are included in the group boundary. The extent of the Council's interest and control over the entity was considered as was the materiality of the financial impact on the Council's group accounts and the transparency of less material entities to allow the reader to understand the Group's consolidated position. Following this assessment, the following has been identified as being within the Council's group for financial reporting purposes.

- Subsidiaries – where the Council either wholly or majority control an entity. Therefore, in the 2023/24 and 2022/23 group accounts the Appletree Property Holdings Group Limited is included.

The Council does not have business interests in any other organisations that are not included in the group accounts.

## 2. ACCOUNTING POLICIES

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards where CIPFA had provided guidance notes.

The accounting policies used in preparing the group accounts reflect those used by New Forest District Council in its single entity financial statements, these can be found in Note 1 of the New Forest District Council financial statements. In order to ensure consistency of accounting treatment and the alignment of policies across the group the following policies have been adopted:

<u>Consolidation of Subsidiaries</u>
Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of financial transactions and balances of the Council and its subsidiary companies. To avoid overstating balances within the group financial statements all transactions and balances between the Council and group companies have been eliminated.

<u>Alignment of accounting framework and policies</u>
Where the accounting framework used by group companies differs from that of the Council, FRS102 rather than IFRS, including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment in line with that applied by the Council.

Unrealised profits from intra-group transactions:
Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains.

Company losses Accounting Treatment:
Appletree Property Holdings Limited included in the consolidation has reported losses in the year. The losses have been reported in accordance with IAS28 to the extent that all the losses have been recognised in the group accounts. These annual losses are reflected in the Group Comprehensive Income and Expenditure Account.

## 3. GROUP PROPERTY, PLANT AND EQUIPMENT

### Valuation of Property, Plant and Equipment

The Council subsidiary operates an annual programme of property revaluations; in 2023/24 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer.

### Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

| **Comparative Movements in 2023/24:** | **Council Property, Plant and Equipment** | **Council Share of Subsidiary Property, Plant and Equipment** | **Total Group Property, Plant and Equipment** |
|---|---|---|---|
| **Cost or Valuation** | **£000** | **£000** | **£000** |
| At 1 April 2023 | **569,412** | 4,662 | **574,074** |
| Additions | **30,296** | 0 | **30,296** |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | **(31,267)** | 80 | **(31,187)** |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | **(2,145)** | 61 | **(2,084)** |
| Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services | **(20,320)** | 0 | **(20,320)** |
| Derecognition - disposals | **(1,663)** | 0 | **(1,663)** |
| Other movements in cost or valuation | **0** | 0 | **0** |
| **At 31 March 2024** | **544,313** | **4,803** | **549,116** |
| **Accumulated Depreciation and Impairment** | | | |
| At 1 April 2023 | **(24,393)** | 0 | **(24,393)** |
| Depreciation charge | **(11,757)** | 0 | **(11,757)** |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | **10,192** | 0 | **10,192** |
| Derecognition - disposals | **382** | 0 | **382** |
| **At 31 March 2024** | **(25,576)** | **0** | **(25,576)** |

| **Net Book Value** | | | |
|---|---|---|---|
| **At 31 March 2024** | **518,737** | **4,803** | **523,540** |
| **at 31 March 2023** | **545,019** | **4,662** | **549,681** |

| Movements in 2022/23: | Council Property, Plant and Equipment | Council Share of Subsidiary Property, Plant and Equipment | Total Group Property, Plant and Equipment |
|---|---|---|---|
| **Cost or Valuation** | £000 | £000 | £000 |
| At 1 April 2022 | **528,804** | 3,091 | **531,895** |
| Additions | **26,486** | 1,447 | **27,933** |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | **34,358** | 84 | **34,442** |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services | **(68)** | 111 | **43** |
| Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services | **(16,379)** | (71) | **(16,450)** |
| Derecognition - disposals | **(3,789)** | 0 | **(3,789)** |
| Other movements in cost or valuation | **0** | 0 | **0** |
| **At 31 March 2023** | **569,412** | **4,662** | **574,074** |
| **Accumulated Depreciation and Impairment** | | | |
| At 1 April 2022 | **(24,674)** | 0 | **(24,674)** |
| Depreciation charge | **(11,367)** | 0 | **(11,367)** |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | **9,834** | 0 | **9,834** |
| Derecognition - disposals | **1,814** | 0 | **1,814** |
| **At 31 March 2023** | **(24,393)** | **0** | **(24,393)** |

| Net Book Value | | | |
|---|---|---|---|
| **At 31 March 2023** | **545,019** | **4,662** | **549,681** |
| **At 31 March 2022** | **504,130** | **3,091** | **507,221** |

## 4. GROUP ACCOUNTS LONG TERM DEBTORS

Group long term debtors were as follows:

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| **£000** | | **£000** |
| 2 | Car Loans | 7 |
| 100 | Lymington Harbour Commissioners - Principal | 0 |
| 300 | New Forest Enterprise Centre | 200 |
| 500 | Rent to Mortgages House Purchases | 473 |
| **902** | **Total** | **680** |

## GLOSSARY OF TERMS

### Budget

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared and are used to control and monitor expenditure and performance.

### Capital Expenditure

Expenditure on the purchase of assets, which will be of use or benefit to the Council/Community for longer than one year.

### Capital Financing

The raising of money to pay for capital expenditure.

### Capital Receipts

Proceeds from the sale of long-term assets e.g. land or buildings.

### Direct Revenue Financing

Financing of capital expenditure by a direct charge to a revenue account. This method of finance avoids borrowing.

### General Fund

The section of the Council's accounts that covers services paid for by the Council Tax, Non-Domestic Rate and Revenue Support Grant.

### Housing Revenue Account

The account which records the income and expenditure relating to the provision of council housing.

### Impairment

At the end of each year each asset is reviewed. Impairment is accounted for if there is evidence that there has been a reduction in value.

### International Financial Reporting Standards (IFRS)

Accounting practices recommended by the major accounting bodies.

### Lease

A method of financing capital expenditure where a rental charge is paid for the use of an asset over a specified period of time. This rental covers a proportion of the capital cost of the asset, together with a return on the finance provided by the leasing company.

### Long-term Assets

An asset that has a life of more than one year.

# GLOSSARY OF TERMS

## Long-term Investments

Loans that the Council has given that are repayable after 364 days of the start of the financial year.

## PWLB Debt

Borrowing that is raised from the Public Works Loan Board, a UK Central Government organisation.

## Revenue Support Grant (RSG)

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the council tax would be the same across the country.

## Revenue Expenditure/Income

The costs or income relating to the day-to-day provision of services.

## Short-term Investments

Investments that the Council has made that are repayable within 364 days from the date of the original investment.

## Short-term Loans

Loans that the Council has raised that are repayable within 364 days of the start of the financial year.

## Support Services

The costs of professional, administrative and technical support given to the departments that provides services to the public.

**THE FINAL ANNUAL GOVERNANCE STATEMENT**
**NEW FOREST DISTRICT COUNCIL**
**2023/24**

## 1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Statement explains how New Forest District Council has complied with the Code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the culture and values, by which the authority is directed and controlled and its activities, through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievements of its 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 that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in delivery of policies, achieving 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 risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3. The Governance Framework

The good governance framework centres on the following 7 core principles:

| | |
|---|---|
| A | Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. |
| B | Ensuring openness and comprehensive stakeholder engagement. |
| C | Defining outcomes in terms of sustainable economic, social and environmental benefits. |
| D | Determining the interventions necessary to optimize the achievement of the intended outcomes. |
| E | Developing the entity's capacity, including the capability of its leadership and the individuals within it. |
| F | Managing risks and performance through robust internal control and strong public financial management. |
| G | Implementing good practices in transparency, reporting and audit to deliver effective accountability. |

The Council is concerned to ensure that quality of service delivery is maintained at a time of financial constraint and uses a variety of mechanisms to assess this. This helps inform future service delivery.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the Transformation Programme and the development of new income generation initiatives) will help protect front-line service delivery. The MTFP is underpinned by the healthy Budget Equalisation and General Fund reserves and these enable the Council to respond to changes accordingly.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2023/24 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council. During 2023/24, the Council continued to work closely with the New Forest National Park Authority in the provision of Service Level Agreements covering, Finance, HR, ICT and GIS.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers in respect of policy and decision-making processes. There is a comprehensive scheme of delegations to officers to ensure timely decision-making. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution was reviewed during 2022/23 and the new version came into effect following the 4 May 2023 elections.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014.

As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.

In May 2023 all-out District elections took place with the new ward boundaries in use (according to the Boundary review work concluded during 2022/23), reflecting a new Councillor base of 48, as opposed to the previous 60. The Council is in overall control by the Conservative Party who have with 26 (out of 48) members. The remaining 22 seats are held by 14 Liberal Democrats, 4 Independents, 3 Green Party members and 1 Labour Party Member. Cllr Jill Cleary is the Leader of the Council.

The Section 151 Officer, Monitoring Officer, Strategic Director Place, Operations and Sustainability and Chief Executive all remain involved in the Solent Freeport supporting the broad objective to deliver economic growth to the wider freeport area. The Council has representation on the Solent Freeport Consortium Ltd Board, on the Retained Rates Investment Committee (set up to evaluate projects for funding from the retained business rates pool) and on the Finance Resources and Audit Committee. The council has also utilised the services of a Strategic Regeneration Advisor throughout 2023/24, with a focus on Freeport activities.

**4. Review of Effectiveness**

The 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 senior statutory officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include: integrity, ethics, operating style and the way management and members assign responsibility and authority.

A summary of the review activities undertaken during 2023/24 are included below:

1. A number of Council policies/strategies were reviewed or new plans/policies/strategies implemented including:

    - Corporate Plan
    - Transformation Strategy
    - Private Sector Housing Enforcement Policy
    - Waste and Recycling Collection Policy
    - Procurement Strategy
    - Tenant Engagement Strategy
    - Empty Homes Strategy
    - Risk Management Policy & Strategic Risk Register
    - Lone Working Policy
    - Bullying and Harassment Policy
    - ICT Security and Information Governance Policy

2. The Council's Executive Management Team (EMT) changed during 2023/24. The Council's previous Strategic Director Governance & Housing (and Monitoring Officer) retired in December 2023 which resulted in the creation of an amended Strategic Director Housing & Communities position and a new Assistant Director Governance and Monitoring Officer position. Both positions were filled in February 2024.

3. The Council's overview and scrutiny arrangements were updated in 2023/24, following the formation of the new Council in May 2023, and the new Cabinet shortly thereafter. The 3 new Overview and Scrutiny panels have clear alignment and terms of reference to 2 Portfolio Holders each.

4. The responsibility of Section 151 functions (a statutory role) sits with the Strategic Director for Corporate Resource & Transformation. The Assistant Director Governance is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Monitoring Officer (who is also the Council's Solicitor), prior to any decisions being made. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.

5. One of the requirements of the GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and provide advice in relation to the law. The DPO position is held by the Council's Information Governance and Complaints Manager, who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification. The Information Governance and Complaints Manager has direct access to EMT.

6. A significant project updating the Council's Retention and Destruction schedules has been carried out and was completed during 2023/24.

7. The Council's arrangements for financial management and reporting are sound and are well documented. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements are in place with clear alignment to the Portfolio responsibilities.

8. Proposals for asset maintenance and replacement expenditure and capital projects are supported by a business case as are new requests for revenue resources. For the 2023/24 budget setting process, these were scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. The Council's officer led Capital and Change board meets monthly and provides oversight and scrutiny of Capital projects, as well as tracking their delivery to ensure necessary progress. This Board also considers transformational proposals and ensures their oversight. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year.

9. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development. Following the May 2023 election, all elected members took part in a thorough training programme, and specific refresher training is regularly considered.

10. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A light-touch review of the Council's Financial Regulations was completed during 2023/24 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2024, following approval by full Council.

11. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. Portfolio Holder dashboards were made available to all members during 2023/24 and were re-included with Overview and Scrutiny Panel papers towards the end of the year, providing transparency of performance and risks to service delivery.

12. The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.

13. The Council's Strategic Risk Register was continually reviewed during 2023/24, and Cabinet received six-monthly updates. The document remains under regular review as a result of the constantly changing national and international situation.

14. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.

15. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.

16. The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:
    - sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
    - New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice
    - where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.

17. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.

18. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents.

19. Internal Audit has reported a 'Reasonable' opinion on the overall control environment. No limited assurance audit opinions were given. Monitoring of progress against the management actions associated with all audits will continue into 2024/25.

20. In February 2021, Council made a decision to award an operating contract to Wealdon Leisure Ltd, trading as Freedom Leisure, to commence on 1st July 2021 for an 11 year period, with the option to extend for a further 4 years. An operating agreement has been agreed by both parties and provides for the Council and the operator to have representation on a Contract Partnership Board which is responsible for ensuring the operator delivers on the Council's service specification and performance indicators. This board has met regularly since the commencement of the contract, and regular update reports have been made available to members during the financial year.

21. During 2022/23, the 3 statutory officers, supported by the Democratic Services Manager concluded on a review of the Council's constitution. The revised constitution delivers an updated format, based on the key components and all the necessary information required of a local authority constitution. The purpose of the Constitution is to ensure there is a clear governance framework and effective and accountable decision making; clarity as to the procedures to be followed in respect of meetings and decisions; provisions to enable Members and the public to engage and hold decision makers to account; and to contain rules and procedures relating to the financial management of the Council, and that standards are promoted and maintained. There are numerous legal requirements as to procedure rules and provisions, which must be included. The newly updated and adopted Constitution complies with these requirements.

22. During 2023/24, a fraud matter concluded, resulting in 2 prison sentences for 2 ex-employees of the Council. A full report was received and reviewed by the Audit Committee in March 2024, outlining the procedural and process changes implemented as a result of the matter arising.

23. During 2023/24 and into 2024/25, work has been ongoing regarding readying the waste collection service to transition to the new adopted waste strategy. This work has been overseen by the Waste Programme Board, supported by sub-steering groups to provide effective governance of the complex programme. Changes include 1) the change to waste collections across the full administrative area of the New Forest, 2) the roll out of separate food waste collection, 3) the removal of custom working practice in relation to task and finish working, with amended contractual terms and conditions being set out to take effect before the phased roll-out of the new waste collection service commences in the Summer of 2025 (the contractual terms and conditions being applied will create consistent working practice for the waste collection service across the 3 operational depots, and with other departments of the Council), 4) significant procurement activity around vehicles, wheeled bins and containers and 5) the delivery of a new (replacement) depot facility (Hardley Depot).

## 5. Financial Management Code

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code were developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Section 151 Officer reported on the Financial Management Code to the Audit Committee in March 2023.

## 6. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following areas will be included in the action plan for review in 24/25 (Schedule 1):

1. To Implement the new corporate report template along with new officer decision record and portfolio holder decision record to support transparent and effective officer and member decision making.
2. Review the Officer Scheme of Delegation and thresholds within the Financial Regulations - to ensure that the controls and thresholds are appropriate for the Council's decision-making arrangements and ensure efficient running of the Council's services.
3. To Implement the new performance management framework, to include introduction of new service plan template to be in place with service plans updated prior to budget setting process commencing in Autumn 2024.
4. To review risk management processes to ensure links within performance management framework and link between service risk registers and corporate risk register. To include appropriate procedures and clarity of accountability regarding review of service risks at directorate level and escalation process to corporate risk register.
5. Ensure preparation of improved budget information that supports accountability across budget holders, and also supports Portfolio-holder oversight. To support accountability of individual budget holders, specific training and development modules to be made available for example in the operation of the Unit 4 financial system and the development of more accessible budget information.
6. To review the Council's Contract Standing Orders, in light of the Procurement Act 2023 (live as of October 2024)

## 7. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31st March 2024 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

| | | | |
|---|---|---|---|
| Signed: | …………………………<br>**Leader of the Council** | Signed: | …………………………..<br>**Chief Executive** |
| Date: | …………………………. | Date: | ………………………….. |

**Schedule 1**

**Annual Governance Statement Action Plan for 2024/25**

| Heading | Update / Action | Responsible | Target |
|---|---|---|---|
| Corporate Report Template | Implementation of the new corporate report template along with new officer decision record and portfolio holder decision record to support transparent and effective officer and member decision making.<br><br>Action: to implement the Corporate Report Template, Officer Decision record and Portfolio Holder Decision record. | S151 Officer and Monitoring Officer | September 2024 |
| Officer Scheme of Delegation and Financial Regulations | The Officer Scheme of Delegation and Financial Regulations will be reviewed during 2024/25<br><br>**Action**: to complete a review of the Council's Officer Scheme of Delegation and Financial Regulations | S151 Officer and Monitoring Officer | December 2024 |
| Performance Management Framework (PMF) | To include introduction of new service plan template to be in place with service plans updated prior to budget setting process commencing in Autumn 2024<br><br>**Action**: To implement a new PMF and Service Plans | S151 Officer | Autumn 2024 |
| Risk Management | Review of risk management processes to ensure link within performance management framework and link between service risk registers and corporate risk register. To include appropriate /procedures and clarity of accountability regarding review of service risks at directorate level and escalation process to corporate risk register.<br><br>**Action**: Review Risk Management Strategy and process to ensure links to PMF. | Monitoring Officer and S151 Officer | December 2024 |
| Improved Budget Information | Ensure preparation of improved budget information that supports accountability across budget | S151 Officer | December 2024 |

| | | | |
|---|---|---|---|
| | holders, and also supports Portfolio-holder oversight. To support accountability of individual budget holders, specific training and development modules to be made available for example in the operation of the Unit 4 financial system and the development of more accessible budget information.<br><br>**Action**: Develop financial reporting and provide training for system users | | |
| Contract Standing Orders | The Council's Contract Standing Orders will be reviewed during 2024/25<br><br>**Action**: to complete a review of Contract Standing Orders, in light of the Procurement Act 2023 (live as of October 2024) | S151 Officer, Monitoring Officer and Strategic Procurement Officer | October 2024 |

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**Audit Committee – 24 January 2025**

## Internal Audit Progress Report 2024-25 (December 2024)

| | |
|---|---|
| Purpose | For information |
| Classification | Public |
| Executive Summary | In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee.<br><br>The Internal Audit Progress Report, attached as Appendix 1, summarises the performance of Internal Audit for 2024-25 to 31st December 2024. The report provides:-<br><br>• a summary of the Council's progress with implementing management actions agreed from previous audits within the analysis of 'live' audit reviews;<br>• executive summaries of reports published which concluded with a 'Limited' or 'No' assurance opinion as part of the 2024-25 audit work;<br>• a summary of planning and resourcing issues, including proposed changes to the audit plan; and<br>• internal audit's progress with delivering the agreed plan together with a performance dashboard. |
| **Recommendation(s)** | **The Audit Committee are requested to note the Internal Audit Progress Report 2024-25 (December 2024).** |
| Reasons for recommendation(s) | To keep the Audit Committee appraised of internal audit's progress with delivering the agreed plan, together with summaries of significant issues identified, and the Council's progress with implementing agreed actions. |
| Ward(s) | All Wards |

| | |
|---|---|
| Portfolio Holder(s) | Councillor Jeremy Heron – Finance and Corporate |
| Strategic Director(s) | Alan Bethune, Strategic Director of Corporate Resources and Transformation. S151 Officer |
| Officer Contact | Antony Harvey<br>Deputy Head of Southern Internal Audit Partnership<br>07784 265289<br>antony.harvey@hants.gov.uk |

**Introduction and background**

1. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

    - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and

    - undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2. In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

    > 'communications on the internal audit activity's performance relative to its' plan.'

3. The progress report, attached as Appendix 1, summarises the performance of Internal Audit for 2024-25 to 31st December 2024.

**Corporate plan priorities**

4. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control

environment and, therefore, contribute to the achievement of the organisation's objectives.

**Options appraisal**

5. No alternative options have been considered as this report is a requirement under relevant legislation and standards.

**Consultation undertaken**

6. This report has been discussed with the Executive Management Team.

**Financial and resource implications**

7. The audit plan consists of 400 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2024-25 reflects these arrangements.

**Legal implications**

8. There are no additional implications arising from this report.

**Risk assessment**

9. No formal risk assessment is required.

**Environmental / Climate and nature implications**

10. There are no additional implications arising from this report.

**Equalities implications**

11. There are no additional implications arising from this report.

**Crime and disorder implications**

12. There are no additional implications arising from this report.

**Data protection / Information governance / ICT implications**

13. There are no additional implications arising from this report.

| **Appendices:** | **Background Papers:** |
| --- | --- |
| Appendix 1 – Internal Audit Progress Report 2024-25 (December 24) | Internal Audit Plan 2024-25 |

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# Internal Audit Progress Report 2024-25

## December 2024

## New Forest District Council

**Contents:**

## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

> ***'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'***

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

> ***'Independent, objective assurance and consulting activity designed to add value and improve an organisations' operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.***



New Forest District Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

## 2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

| | |
|---|---|
| **Substantial** | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| **Reasonable** | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| **Limited** | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| **No** | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

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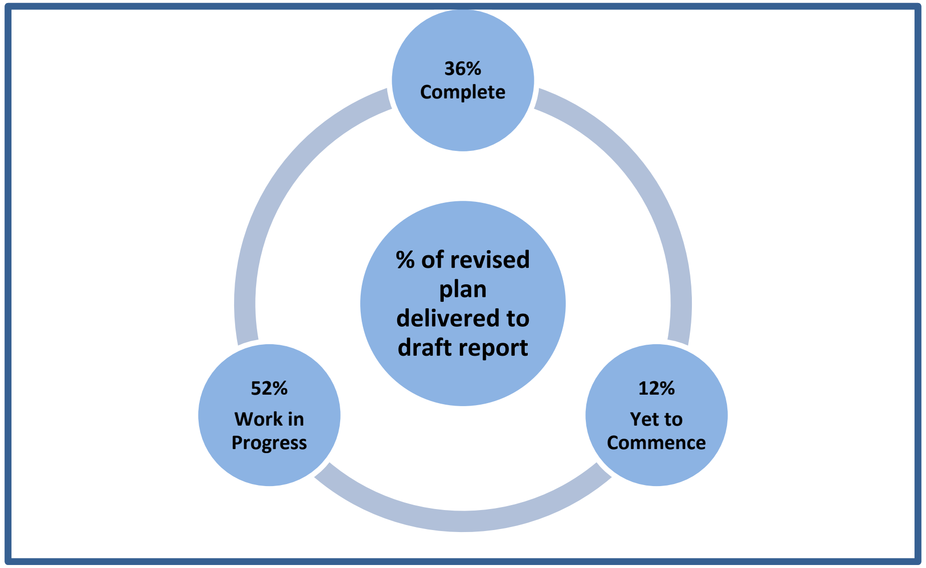
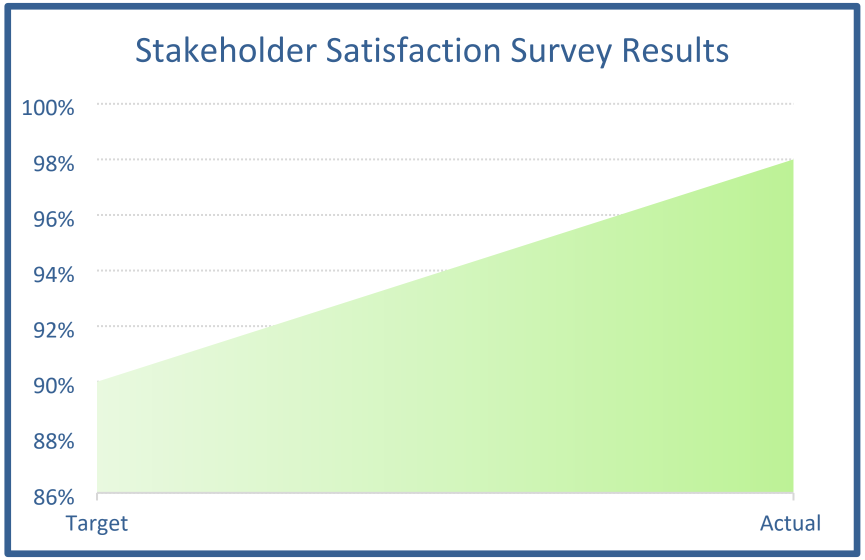
## 3. Performance dashboard




**Compliance with Public Sector Internal Audit Standards**

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

*'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.*

*It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.*

*We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).*

*We are pleased to report that SIAP conform with all relevant, associated elements.'*

## 4. Analysis of 'Live' audit reviews

| Audit Review | Report Date | Audit Sponsor | Assurance Opinion | Total Management Action(s) | Not Yet Due | Complete | Overdue | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | L | M | H |
| Fleet Management (follow-up phase 2) | May 23 | SM (W&T) | Reasonable | 9 | 0 | 7 | | 2 | |
| Engineering Works | Aug 23 | SM (C) | Limited | 10 | 0 | 7 | 1 | 1 | 1 |
| Commercial Activities – Appletree Holdings | Oct 23 | SM (E&V) | Substantial | 1 | 1 | 0 | | | |
| **NNDR *** | **Nov 23** | **SM (CSR&B)** | **Reasonable** | **4** | **0** | **4** | | | |
| Open Spaces and Playground Safety Checks | Dec 23 | G&SM | Limited | 12 | 0 | 7 | | 3 | 2 |
| Housing Asset Management – Electrical Safety Checks | Feb 24 | SM (HM) | Reasonable | 8 | 0 | 6 | 2 | | |
| Business Continuity | Mar 24 | SM (E&R) | Reasonable | 2 | 2 | 0 | | | |
| Transformation Programme – Governance Arrangements | May 24 | ADT | Reasonable | 3 | 0 | 0 | | 3 | |
| Corporate Governance Framework – Fraud Framework | May 24 | SM (CSR&B) | Reasonable | 5 | 0 | 2 | 3 | | |
| Accounts Payable | Jun 24 | FIN | Reasonable | 5 | 1 | 3 | | 1 | |
| Animal Welfare Licencing | Jun 24 | SM (E&R) | Reasonable | 6 | 1 | 5 | | | |
| **Community Infrastructure Levy - Expenditure Framework *** | **Jun 24** | **SM (DM)** | **Substantial** | **1** | **0** | **1** | | | |
| Housing Rent Reconciliations | Jul 24 | SM (HO) | Reasonable | 5 | 0 | 0 | | | 5 |
| **Housing Allocations *** | **Jul 24** | **SM (HO)** | **Reasonable** | **1** | **0** | **1** | | | |
| Parking and Enforcement | Aug 24 | EE&AM | Reasonable | 7 | 1 | 6 | | | |
| Health and Safety | Nov 24 | SM (HR) | Reasonable | 6 | 3 | 3 | | | |
| Contract Management – Leisure Contract | Nov 24 | SDCR&T | Substantial | 1 | 1 | 0 | | | |
| Budget Planning/Setting | Dec 24 | ADFIN | Substantial | 3 | 2 | 1 | | | |
| Risk Management | Dec 24 | ADFIN | Limited | 14 | 8 | 6 | | | |
| HR – Recruitment/Statutory Responsibilities | Dec 24 | SM (HR) | Substantial | 2 | 2 | 0 | | | |
| **Total** | | | | | | | **6** | **10** | **8** |

* Denotes audits where all actions have been completed since the last progress report

**Update on the overdue actions**

Fleet Management – A tender has been completed for fuel cards and integrated reporting for both bunkered fuel and fuel cards will be incorporated as part of the mobilisation. Resourcing continues to be an issue to enable the production of monthly performance dashboards for the Team.

Engineering works – update to follow although as previously reported, progress continues to be made to address all the issues identified including developing/trialling the job recording and reporting system with longer term developments to be included within the Transformation programme. Revised anticipated implementation dates to 30 June 2025 have been provided.

Open spaces – update to follow although one further medium priority action has been confirmed as complete. Previous updates confirmed that alternative IT Solutions are being investigated/developed (reference Engineering works) to improve inspection scheduling, prioritising actions, information recording and performance information; and that a review has commenced to risk assess/RAG rate all play equipment to inform the methodology/frequency for inspections which will be formalised within new/revised Policies which are under development.

Electrical safety. As previously reported, the Team reviewing of all of the Council's housing suite of strategies and policies in order of priority and have appointed a Housing Policy Officer to support this ongoing work however there continues to be a significant shift in social housing regulations which will have an impact upon the policy updates. Revised anticipated implementation dates to April 2025 have been provided.

Transformation Programme – Governance Arrangements - update to follow although all it has been confirmed that actions will be addressed as part of the mobilisation and implementation plan for the programme with anticipated implementation dates of 31/12/2024.

Fraud Framework – All actions to update the relevant policies have been completed with anticipated approval of the updated policies at the March 2025 Audit Committee.

Accounts Payable – An action to implement a quarterly review of invoices paid without a purchase order has proven to be more complex than initially anticipated and further work is needed to address underlying processes.

Housing Rent Reconciliations. The Team, including the Assistant Director – Housing are actively working with the supplier with addressing the issues identified regarding annual rent uplift calculations / system reconciliations and progress continues to be made although, as previously reported, resolutions are proving more complex than initially anticipated. It is anticipated to have all actions addressed before the end of the financial year.

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| Audit Sponsor | | Audit Sponsor | |
|---|---|---|---|
| Chief Executive | CX | Assistant Director Place Development | ADPD |
| Communications Manager | CM | Service Manager (Development Management) | SM (DM) |
| Strategic Director Housing & Communities | SDH&C | Service Manager (Policy & Strategy) | SM (P&S) |
| Assistant Director Housing | ADH | Building Control Manager | BCM |
| Service Manager (Housing Maintenance) | SM (HM) | Climate Change Manager | CCM |
| Service Manager (Housing Options, Rents Support and Private Sector Housing) | SM (HO) | Strategic Director Corporate Resources & Transformation | SDCR&T |
| Service Manager (Strategy & Development) | SM (S&D) | Service Manager (Estates & Valuation) | SM (E&V) |
| Greener Housing Development Manager | GHDM | Service Manager (Customer Services, Revenues & Benefits) | SM (CSR&B) |
| Anti-Social Behaviour Manager | ASBM | Assistant Director Finance | ADFIN |
| Tenant Engagement Manager | TEM | Strategic Procurement Manager | SPM |
| Rent, Accounting & Home Ownership Manager | RA&HOM | Assistant Director Transformation | ADT |
| Service Manager (Estate Management & Support) | SM (EM&S) | Service Manager (Human Resources) | SM (HR) |
| Service Manager (Environmental & Regulation) | SM (E&R) | ICT Operations Manager | ICTOM |
| Strategic Director Place, Operations & Sustainability | SDPOS | Data Development & Delivery Manager | DDDM |
| Assistant Director Place Operations | ADPO | Transformation & Improvement Manager | T&IM |
| Service Manager (Waste & Transport) | SM (W&T) | Assistant Director Governance & Monitoring Officer | ADG&MO |
| Service Manager (Coastal) | SM (C) | Service Manager (Democratic & Support Services) | SM (D&SS) |
| Environment Enforcement & Amenities Manager | EE&AM | Information Governance & Complaints Manager | IG&CM |
| Grounds & Streetscene Manager | G&SM | | |

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## 5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

| Risk Management | | | | |
|---|---|---|---|---|
| **Audit Sponsor** | **Assurance opinion** | **Management Actions** | | |
| **Assistant Director - Finance** | Limited | Low 0 | Medium 10 | High 4 |

**Summary of key observations:**

Whilst the Council has a current Risk Management Policy which includes the strategic aims of the Policy and details on the risk management framework and its workings, we noted the Policy did not refer to the respective responsibilities for the creation and maintenance of the Service Risk Registers; refer to the Council's risk tolerance/appetite; did not mention the requirement for inherent and residual risk scores in the Strategic Risk Register; or the process for escalation of significant risks to the Strategic Risk Register outside the normal six-month reporting cycle.

Reporting to the Executive Management Team (EMT) and, separately, to the Audit Committee is taking place at least every six months. The audit found however, that the Risk Management framework was not fully embedded, including integration with the Performance Management Framework and at the time of review, a plan or timetable to assist in the identification and achievement of deliverables to support the framework roll out had not been documented.

Upon identification of new or escalated significant/strategic risks, they are reflected in adjustments to the Strategic Risk Register and we noted one risk that was added to the Strategic Risk Register in the preceding 12 months which had been approved by Cabinet. A review of the Strategic Risk Register found it included a description of each individual risk called "current circumstance" and found them to be an appropriate explanation of the risk details however we found that the wording of some controls could be open to misinterpretation, in particular whether a control is in place or in development.

A timetable exists for meetings with owners of the Service Risk Registers, and we were provided with evidence that the meetings had taken place and that they were documented. We found however that although several Service Risk Registers had been drafted, their format and content had not been standardised. In addition, at the time of review, only five Service Risk Registers were available from a full population of 28 (although some rationalisation may be planned).

While ‘Introduction to Risk Management’ training is offered, it did not include certain areas such as: the different types of risk ratings (inherent, residual etc); an explanation of the significance of internal controls; clear articulation of mitigation plans; and the existence of Service Risk Registers. We were advised the only record of the Risk Management training undertaken was in the Outlook calendar of the Insurance and Risk Officer.

Following the audit, to address the issues identified, we have been informed that:

- A summary action plan to address the initial observations, and ensure actions will be completed on an on-going basis in line with the Policy / framework, has been developed;
- The Risk Management Policy and Strategic Risk Register have been updated and will be taken to the January 2025 Audit Committee for consideration;
- Service Risk Registers, aligned to the format of the Strategic Risk Register, are now in place across the Council;
- Risk management training will be updated to reflect the updates to the Policy / Framework and a ‘system log‘ of training provided will be implemented by 31/03/2025.
- To date, six of the 14 actions identified have been confirmed as completed with the remaining actions addressed once the revised Policy has been considered/adopted and log of training implemented by the end of March 2025.



## 6. Planning & Resourcing

The Internal Audit Plan for 2024-25 was agreed by EMT and approved by the Audit Committee in March 2024. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

## 7. Rolling Work Programme

| Audit Review | Sponsor | Scoping | Terms of reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|---|---|---|---|---|---|---|---|---|
| **2023-24 Audits (included within the annual report and opinion)** | | | | | | | | |
| Procurement | SPM | ✓ | ✓ | ✓ | May 24 | Jun 24 | Reasonable | |
| Accounts Payable | FIN | ✓ | ✓ | ✓ | May 24 | Jun 24 | Reasonable | |
| Homelessness – Prevention and Relief | SM (HO) | ✓ | ✓ | ✓ | Mar 24 | May 24 | Reasonable | |
| Animal Welfare Licencing | SM (E&R) | ✓ | ✓ | ✓ | May 24 | Jun 24 | Reasonable | |
| **2024-25 Audits** | | | | | | | | |
| **Corporate / Governance Framework** | | | | | | | | |
| Corporate Plan / Performance Management | ADT | ✓ | | | | | | Q4 – Initial scoping booked |
| Transformation Programme | ADT | | | | | | | Q4 |
| Corporate Governance Framework – Fraud Framework | SM (CSR&B) | ✓ | ✓ | ✓ | May 24 | May 24 | Reasonable | |
| Corporate Governance Framework | ADG&MO | ✓ | ✓ | ✓ | | | | |
| Budget Planning/Setting | ADFIN | ✓ | ✓ | ✓ | Nov 24 | Dec 24 | Substantial | |
| Partnership Working – Town and Parish Councils | ADPO | ✓ | ✓ | ✓ | | | | |
| Information Governance – Data Retention/Records Management | IG&CM | ✓ | ✓ | ✓ | | | | Fieldwork Complete. Close meeting held. |
| Emergency Planning | SM (E&R) | ✓ | | | | | | Q4 – Initial scoping booked |
| Contract Management – Leisure Contract | SDCR&T | ✓ | ✓ | ✓ | Oct 24 | Nov 24 | Substantial | |
| Health and Safety | SM (HR) | ✓ | ✓ | ✓ | Aug 24 | Nov 24 | Reasonable | |
| Risk Management | ADFIN | ✓ | ✓ | ✓ | Jun 24 | Dec 24 | Limited | |
| **Human Resources** | | | | | | | | |
| HR – Recruitment/Statutory Responsibilities | SM (HR) | ✓ | ✓ | ✓ | Dec 24 | Dec 24 | Substantial | |

| Audit Review | Sponsor | Scoping | Terms of reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|---|---|---|---|---|---|---|---|---|
| **Core Financial Systems** | | | | | | | | |
| Housing Benefits | SM (CSR&B) | ✓ | ✓ | ✓ | | | | |
| Payroll and Expenses | SM (HR) | ✓ | ✓ | ✓ | | | | |
| Treasury Management | ADFIN | ✓ | ✓ | | | | | |
| **Information Technology** | | | | | | | | |
| IT – Contract Management | ICTOM | ✓ | ✓ | ✓ | Jul 24 | Jul 24 | Substantial | |
| IT – Application Lifecycle Management | ICTOM | | | | | | | Q4 |
| IT – Project Delivery | ICTOM | ✓ | ✓ | ✓ | | | | |
| IT – Firewall Management and Monitoring | ICTOM | | | | | | | Q4 |
| **Portfolio Themes** | | | | | | | | |
| Housing Management – Right to Buy | SM (HO) | ✓ | ✓ | ✓ | | | | |
| Housing Allocations | SM (HO) | ✓ | ✓ | ✓ | Jun 24 | Jul 24 | Reasonable | |
| Housing Rent Reconciliations | SM (HO) | ✓ | ✓ | ✓ | Jun 24 | Jul 24 | Reasonable | |
| Housing Asset Management – Lift Inspections | SM (HM) | ✓ | ✓ | ✓ | | | | |
| Housing Asset Management – Gas Safety | SM (HM) | | | | | | | Q4 |
| Housing Asset Management – Asbestos | SM (HM) | ✓ | ✓ | ✓ | | | | |
| Housing Enforcement | SM (HO) | ✓ | ✓ | ✓ | | | | |
| Community Infrastructure Levy Expenditure Framework | SM (DM) | ✓ | ✓ | ✓ | May 24 | Jun 24 | Substantial | |
| Planning/Development Management | SM (DM) | ✓ | | | | | | Q4. Scoping booked |
| Environmental Health - Local Air Pollution Prevention and Control (LAPPC) | SM (E&R) | ✓ | ✓ | ✓ | | | | |
| Licencing | SM (E&R) | ✓ | | | | | | Q4. Scoping booked |
| Parking and Enforcement | EE&AM | ✓ | ✓ | ✓ | Jul 24 | Aug 24 | Reasonable | |

| Audit Review | Sponsor | Scoping | Terms of reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|---|---|---|---|---|---|---|---|---|
| Environmental Enforcement - Clean Streets | EE&AM | ✓ | ✓ | ✓ | Dec 24 | | | |
| Cemeteries | G&SM | ✓ | ✓ | ✓ | | | | |
| Keyhaven – Income & PCard Expenditure | SM (C) | ✓ | | | | | | Initially scoped. |

## Annex 1 - Adjustments to the plan

| Audit reviews added to the plan (included in rolling work programme above) | Comment |
|---|---|
| Corporate Governance Framework – Fraud Framework * | Brought forward from 2023/24 as work in progress |
| Information Governance – Data Retention/Records Management * | Brought forward from 2023/24 as work in progress & combined with 2024/25 review. |
| Contract Management – Leisure Contract * | Brought forward from 2023/24 as work in progress |
| Health and Safety * | Brought forward from 2023/24 as work in progress |
| Risk Management * | Brought forward from 2023/24 as work in progress |
| IT – Contract Management * | Brought forward from 2023/24 as work in progress |
| Housing Allocations * | Brought forward from 2023/24 as work in progress |
| Housing Rent Reconciliations * | Brought forward from 2023/24 as work in progress |
| Community Infrastructure Levy Expenditure Framework * | Brought forward from 2023/24 as work in progress |
| Parking and Enforcement * | Brought forward from 2023/24 as work in progress |
| Clean Streets – Enforcement * | Brought forward from 2023/24 as work in progress |
| Keyhaven – Income & PCard Expenditure *** | Direct request from the Management Team to review specific areas of activity. |

| Audit reviews removed from the plan (excluded from rolling work programme) | Comment |
|---|---|
| Environmental Services – New Waste Strategy ** | Proposed by the Council as no longer required as the programme board now have the required level of assurance on this project. |
| Housing Asset Management – Voids *** | There is currently a project underway to review the end-to-end process with managing voids therefore it is proposed to defer the audit until the project has been completed and any corresponding changes to the process have been implemented and become embedded. |
| Building Control *** | The Building Safety Regulator will be undertaking a full audit of the Building Control Service during December 2024 – January 2025 therefore it is proposed to defer the review for 18 months to enable the Service to implement (if applicable) the findings from the Regulator's audit. |
| Programme & Project Management *** | It is proposed to combine this review with the Transformation Programme audit due to prevent duplication. |

| | |
|---|---|
| Asset Management (Corporate Estate) *** | The Council commissioned Mace to review the current operating model and approach to strategic asset management within the Estates, Valuations & Facilities Management Team and have recommended a roadmap for implementation over the next 12 months therefore it is proposed to defer the audit whilst the Service action the recommendations. |

* Agreed July 2024

** Agreed October 2024

*** Proposed January 2025

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**Audit Committee - 24 January 2025**

## Implementation of the Global Internal Audit Standards

| | |
|---|---|
| Purpose | For information |
| Classification | Public |
| Executive Summary | This paper is submitted to Audit Committee to provide an overview of the new Global Internal Audit Standards, to which public sector internal audit functions will have to comply from 1 April 2025. |
| **Recommendation(s)** | **The Audit Committee are requested to note the overview of the new Global Internal Audit Standards** |
| Reasons for recommendation(s) | The Accounts and Audit Regulations [England] 2015 state a relevant body must:<br>*'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.'*<br>From April 2025 the public sector internal auditing standards will be replaced by the Global Internal Audit Standards against which all internal audit providers must conform. |
| Ward(s) | All |
| Portfolio Holder(s) | Councillor Jeremy Heron – Finance and Corporate |
| Strategic Director(s) | Alan Bethune, Strategic Director of Corporate Resources and Transformation. S151 Officer |
| Officer Contact | Antony Harvey<br>Deputy Head of Southern Internal Audit Partnership<br>07784 265289<br>antony.harvey@hants.gov.uk |

## Introduction and background

1. Since their implementation in 2013 the Council's internal audit function have been required in accordance with the Accounts & Audit Regulations, to comply with the Public Sector Internal Audit Standards which were based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF).

2. In January 2024 the IIA published a significant revision of their IPPF in the form of the Global Internal Audit Standards (GIAS). The revised framework is to take effect within the public sector from April 2025 (effective from January 2025 in the private sector).

3. The GIAS are a replacement to the Public Sector Internal Audit Standards and provide a single source to guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.

4. The GIAS is arranged under five domains which incorporates 15 Principles and 52 Standards (Appendix 1).

5. Some of the key differences between the existing Public Sector Internal Audit Standards and the new Global Internal Audit Standards include:

    - Domain II – Ethics & Professionalism
        - Professional courage (1.1)
        - Professional scepticism (4.3)
    - Domain III – Governing the internal audit function
        - Internal audit mandate (6.1)
        - Board interaction (8.1)
        - Quality (8.3)
    - Domain IV – Manage the internal audit function
        - Internal Audit Strategy (9.2)
        - Coordinating reliance (9.5)
        - Communicating results (trends / root cause) (11.3)
        - Performance measurement (12.2)

6. The authority for determining standards applicable to internal audit in the UK public sector rests with the Relevant Internal Audit Standard Setters (RIASS), supported by the UK Public Sector Internal Audit Standards Advisory Board (IASAB).

7. During October 2024 the RIASS issued a consultation document in response to the GIAS (Application Note). Simultaneously CIPFA issued a consultation on a new Code of Practice for the Governance of Internal Audit:

8. Application Note – GIAS in the UK Public Sector (consultation closed 31 October 2024)

9. Code of Practice for the Governance of Internal Audit in the UK Local Government (consultation closed 28 November 2024)

**Application Note – GIAS in the UK Public Sector**

10. The IASAB has considered the content of the GIAS and has determined that it is applicable to the internal audit of UK public sector bodies, subject to a small number of additional requirements and interpretations.

11. The key requirements and interpretations covered within the Public Sector Application Note that are not encompassed within the main text of the GIAS include:

    - in the UK public sector, a chief internal auditor must prepare an overall conclusion encompassing governance, risk management and control (governance should support any specific sector obligations or processes).

    - that the chief internal auditor will be both professionally qualified and have appropriate public sector skills and knowledge.

    - a requirement for at least one of the external assessment team (required periodically to undertake an External Quality Assessment of the internal audit function) will have the characteristics required of a chief internal auditor in the UK public sector.

12. Any External Quality Assessment undertaken must provide an overall opinion on the internal audit functions conformance with the GIAS and Application Note on GIAS in the UK Public Sector.

**Code of Practice for the Governance of Internal Audit in UK Local Government**

13. The new standards include ‘essential conditions’ for the governance of internal audit. When the IIA published GIAS, it recognised that in the public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied.

14. This is the case in UK local government, where there isn’t a straightforward replacement for the ‘board’ as described in GIAS. Elected representatives are ultimately those charged with governance, whether that is the full council of an authority or an elected police and crime commissioner.

15. Audit committees are non-executive advisory bodies with limited decision-making powers. Internal audit’s primary mandate comes from statutory regulations rather than the decision of the audit committee.

16. The GIAS provides for the chief internal auditor to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the standards. The Code of Practice for the Governance of Internal Audit in UK Local Government provides the route to satisfying the essential conditions in GIAS (UK public sector), tailored for UK local government. The GIAS (UK public sector) directs the local government sector bodies to apply the Code.

17. The Code meets the objectives of the essential conditions, by providing for the necessary governance of internal audit, but in a way that is appropriate for UK local government bodies. It includes roles and responsibilities of the audit committee, senior management, and those charged with governance towards internal audit.

**Conclusion**

18. The Southern Internal Audit Partnership have completed an initial self-assessment / gap analysis against the GIAS and developed an action plan to ensure the Partnership is in the strongest possible position for when the Standards take effect in April 2025.

19. As part of that action plan SIAP will be engaging with Senior Management and members of the Audit Committee during January / February 2025 to contribute to the development of key requirements of the GIAS including the Internal Audit Strategy and key performance measures.

## Corporate plan priorities

20. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

## Options appraisal

21. The requirement to adopt the Global Internal Audit Standards are a legislative requirement in accordance with the Accounts & Audit Regulations [England] 2015. There are no alternative options.

## Consultation undertaken

22. The requirement to adopt the Global Internal Audit Standards have been discussed with the Executive Management Team.

23. The Southern Internal Audit Partnership contributed to the public consultations on both the Application Note – GIAS in the UK Public Sector and Code of Governance for Internal Audit in UK Local Government.

## Financial and resource implications

24. There are no financial and resource (including HR) implications arising from the recommendations.

## Legal implications

25. Non-conformance with the requirements of the Global Internal Audit Standards would impact compliance with the Accounts & Audit Regulations [England] 2015.

## Risk assessment

26. No formal risk assessment is required.

## Environmental / Climate and nature implications

27. There are no additional implications arising from this report.

## Equalities implications

28. There are no additional implications arising from this report.

**Crime and disorder implications**

29. There are no additional implications arising from this report.

**Data protection / Information governance / ICT implications**

30. There are no additional implications arising from this report.

| **Appendices:** | **Background Papers:** |
|---|---|
| List appendices here:-<br>Appendix 1 – Global Internal Audit Standards<br>Appendix 2 – SIAP – Global Internal Audit Standards Roadmap | Global Internal Audit Standards<br>Application Note – GIAS in the UK Public Sector – consultation<br>Code of Practice for the Governance of Internal Audit in UK Local Government |

# Appendix A

## Global Internal Audit Standards

### Domain I: Purpose of Internal Auditing

### Domain II: Ethics and Professionalism

**Principles**

| 1 – Demonstrate Integrity | 2- Maintain Objectivity | 3 – Demonstrate Competency | 4 – Exercise Due Professional Care | 5 – Maintain Confidentiality |
|---|---|---|---|---|
| **Standards** | | | | |
| • Honesty & Professional Courage<br>• Organisation's Ethical Expectations<br>• Legal & Ethical Behaviour | • Individual Objectivity<br>• Safeguarding Objectivity<br>• Disclosing Impairments to Objectivity | • Competency<br>• Continuing Professional Development | • Conformance with the GIAS<br>• Due Professional Care<br>• Professional Scepticism | • Use of Information<br>• Protection of Information |

### Domain III: Governing the Internal Audit Function

**Principles**

| 6 – Authorised by the Board | 7 – Positioned Independently | 8 – Oversen by the Board |
|---|---|---|
| **Standards** | | |
| • Internal Audit Mandate<br>• Internal Audit Charter<br>• Board and Senior Management Support | • Organisational Independence<br>• Chief Audit Executive Qualifications | • Board Interaction<br>• Resources<br>• Quality<br>• External Quality Assessment |

### Domain IV: Managing the Internal Audit Function

**Principles**

| 9 – Plan Strategically | 10 – Manage Resources | 11 – Communicate Effectively | 12 – Enhance Quality |
|---|---|---|---|
| **Standards** | | | |
| • Understanding Governance, Risk Management, and Control Processes<br>• Internal Audit Strategy<br>• Methodologies<br>• Internal Audit Plan<br>• Coordination and Reliance | • Financial Resource Management<br>• Human Resource Management<br>• Technological Resources | • Building Relationships & Communicating with Stakeholders<br>• Effective Communication<br>• Communicating Results<br>• Errors and Omissions<br>• Communicating the Acceptance of Risks | • Internal Quality Assessment<br>• Performance Measurement<br>• Oversee and Improve Engagement Performance |

### Domain V: Performing Internal Audit Services

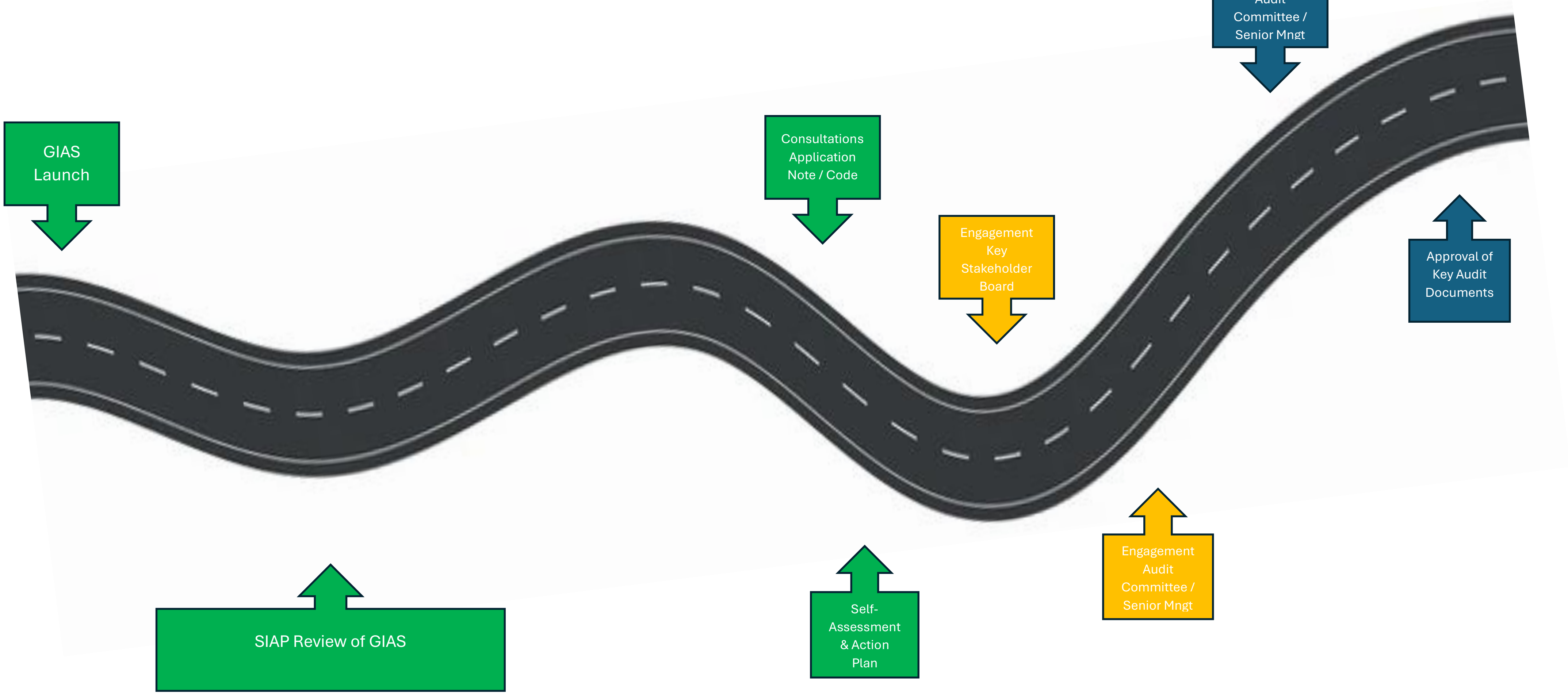
**Principles**

| 11 - Plan Engagements Effectively | 14 – Conduct Engagement Work | 15 – Communicate Engagement Results and Monitor Action Plans |
|---|---|---|
| **Standards** | | |
| • Engagement Communication<br>• Engagement Risk Assessment<br>• Engagement objectives & Scope<br>• Evaluation Criteria<br>• Engagement Resources<br>• Work Programme | • Gathering Information for Analyses & Evaluation<br>• Analyses & Potential Engagement Findings<br>• Evaluation of Findings<br>• Recommendations & Action Plans<br>• Engagement Conclusions<br>• Engagement Documentation | • Final Engagement Communication<br>• Confirming the Implementation of Recommendations or Action Plans |

Southern Internal Audit Partnership
Assurance through excellence and innovation

## Appendix B

# SIAP – GIAS Road Map




**Timeline**

| Jan 24 | Feb 24 | Mar 24 | Apr 24 | May 24 | Jun 24 | Jul 24 | Aug 24 | Sep 24 | Oct 24 | Nov 24 | Dec 24 | Jan 25 | Feb 25 | Mar 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

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**Audit Committee – 24 January 2025**

## Treasury Management Strategy 2025/26

| | |
|---|---|
| Purpose | For Review |
| Classification | Public |
| Executive Summary | The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three-year period from 2025/26 to 2027/28. The day-to-day treasury management function and the limitations on activity through treasury indicators are also set out in the statement. |
| **Recommendation(s)** | **It is recommended that Audit Committee recommend to Full Council that:**<br><br>**1) the Treasury Management Strategy 2025/26 to 2027/28 including the Annual Treasury Management Investment Strategy for 2025/26 (and the remainder of 2024/25) and the Treasury Indicators contained within, as provided in Appendix 1 be approved.**<br><br>**2) authority is delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Deputy Chief Executive and Director of Corporate Operations, as agreed in the Service Level Agreement, to manage all Council investments and borrowing according to the Treasury Management Strategy Statement as appropriate.** |
| Reasons for recommendation(s) | To comply with the statutory guidance issued by the Government in January 2018 and the CIPFA 2021 Prudential and Treasury Management Codes requiring all local authorities to approve a Treasury Management Strategy Statement |

| | |
|---|---|
| | (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. |
| Ward(s) | All |
| Portfolio Holder(s) | Councillor Jeremy Heron – Finance and Corporate |
| Strategic Director(s) | Alan Bethune – Strategic Director Corporate Resources & Transformation & Section 151 Officer |
| Officer Contact | Gemma Farley<br>Principal Accountant, Hampshire County Council<br>0370 779 4704<br>gemma.farley@hants.gov.uk |

**Introduction and background**

1. The Treasury Management Strategy is a high-level document, giving an overview of how the Council manages and invests its surplus cash and its associated investment assets.

2. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

3. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

**Policies and approvals required**

Treasury Management Strategy Statement

5. The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three-year period from 2025/26 to 2027/28. The day-to-day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.

6. This report has been prepared prior to the adoption of the Capital Programme for 2025/26 and subsequent years. Therefore, the target indicators may be subject to minor variation. These indicators are targets only and minor adjustments will not be reported.

7. Any adjustments to the treasury management limits will be reported.

Treasury Management Investment Strategy

8. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (the CIPFA Code). This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

9. The Treasury Management investment strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

10. This strategy is shown in Appendix A in Section 5.

11. The policies and parameters included in this report provide an approved framework within which officers undertake the day-to-day treasury activities.

12. This strategy aims to strike a balance between allowing for current investment levels to continue, whilst also considering the Council's intention to directly invest in both commercial and residential property.

**Corporate plan priorities**

13. Management of the Council's cash flows, borrowing and investments, and the associated risks ensures we are being financially responsible which underpins the delivery of all our priorities.

**Options appraisal**

14. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer believes that the strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in Table 1.

**Table 1: Alternative strategies and their implications**

| Alternative | Impact on income and expenditure | Impact on risk management |
|---|---|---|
| Invest in a narrower range of counterparties and/or for shorter times | Interest income will be lower | Lower chance of losses from credit related defaults, but any such losses may be greater |
| Invest in a wider range of counterparties and/or for longer times | Interest income will be higher | Increased risk of losses from credit related defaults, but any such losses may be smaller |
| Borrow additional sums at long-term fixed interest rates | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain |

**Table 1: Alternative strategies and their implications**

| Alternative | Impact on income and expenditure | Impact on risk management |
|---|---|---|
| Borrow short-term or variable loans instead of long-term fixed rates | Debt interest costs will initially be lower | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain |
| Reduce level of borrowing | Saving on debt interest is likely to exceed lost investment income | Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain |

## Consultation undertaken

15. This report has been produced in consultation with Hampshire County council's Investments & Borrowing team.

16. In November 2024 several members attended the annual treasury management briefing session provided by the Council's treasury advisors Arlingclose.

## Financial and resource implications

17. Hampshire County Council's Investments and Borrowing Team carry out the day-to-day management of the Council's cash balances and investments. The council's in-house finance team undertake the accounting and the Section 151 Officer retains responsibility for strategic pooled fund investment and long-term borrowing decisions.

18. This is a financial report with any additional implications already detailed and considered in the main body of the report and appendices.

## Legal implications

19. To comply with the statutory guidance issued by the Government in January 2018 and the CIPFA 2021 Prudential and Treasury Management Codes requiring all local authorities to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

20. The Council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.

21. With effect from February 2014 Hampshire County Council (HCC) and New Forest District Council ("the Council") established arrangements for the joint discharge of functions under Section (101)(1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000. Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of the Council's cash balances and investment of surplus cash or sourcing of borrowing in accordance with the agreed Treasury Management Strategy Statement.

**Environmental / climate and nature implications**

22. There are no environmental implications arising directly from this report.

**Equalities implications**

23. There are no equality implications arising directly from this report.

**Crime and disorder implications**

24. There are no crime and disorder implications arising directly from this report.

**Data protection / information governance / ICT implications**

25. There are no data protection, information governance or ICT implications arising directly from this report.

| **Appendices:** | **Background Papers:** |
|---|---|
| Appendix 1 – Treasury Management Strategy 2025/26 – 2027/28 | None |

**Appendix 1**

# TREASURY MANAGEMENT STRATEGY 2025/26 – 2027/28

## 1. INTRODUCTION

1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

## 2. EXTERNAL CONTEXT

1.4. The following paragraphs explain the economic and financial background against which the TMSS is being set.

### Economic background

1.5. The impact on the UK from the Government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Council's treasury management strategy for 2025/26.

1.6. The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 0.25% cut from the 5.25% peak at the August MPC meeting.

**Credit outlook**

1.7. Credit Default Swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. CDS prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

1.8. Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

1.9. Overall, the institutions on the counterparty list provided by the Council's treasury management adviser, Arlingclose, remain well-capitalised. Arlingclose's counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

**Interest rate forecast (December 2024)**

1.10. Arlingclose forecasts that the Bank of England's MPC will continue reducing rates through 2025, taking the Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as increasing the forecast terminal rate at the end of the cycle.

1.11. Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

1.12. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

## 3. BALANCE SHEET SUMMARY AND FORECAST

1.13. On 31 December 2024, the Council held £132.0m of borrowing and £57.4m of investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 2.

| **Table 2: Balance Sheet Summary and Forecast** | **31/03/24 Actual £m** | **31/03/25 Estimate £m** | **31/03/26 Forecast £m** | **31/03/27 Forecast £m** | **31/03/28 Forecast £m** |
|---|---|---|---|---|---|
| General Fund CFR | 26.4 | 27.3 | 34.6 | 32.4 | 30.4 |
| Housing Revenue Account CFR | 19.8 | 30.0 | 43.8 | 55.9 | 71.5 |
| HRA Settlement | 114.0 | 109.9 | 105.8 | 101.7 | 97.6 |
| **Total CFR** | **160.2** | **167.2** | **184.2** | **190.0** | **199.5** |
| Less: Other debt liabilities * | | | | | |
| - Leases | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Loans CFR** | | | | | |
| Less: External borrowing *** | (124.0) | (132.9) | (115.8) | (111.7) | (107.6) |
| **Internal borrowing** | **36.0** | **34.3** | **68.4** | **78.3** | **91.9** |
| | | | | | |
| Less: Balance sheet resources | (67.5) | (45.2) | (40.2) | (36.9) | (32.6) |
| **New borrowing or Treasury investments (-)** | **(31.5)** | **(10.9)** | **28.2** | **41.4** | **59.3** |

* Leases liabilities that form part of the Council’s debt

** IFRS 16 requires the Council to change how it recognises its leases from 1 April 2024
*** shows only loans to which the Council is committed and excludes optional refinancing

1.14. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

1.15. The General Fund CFR is showing an increase over the period as the Council implements the new Waste Strategy. New commercial and residential investment schemes have currently been put on hold due to the current interest rates making schemes less viable. The Housing Revenue Account (HRA) CFR is also increasing as the Council looks to deliver the requirements arising from Decarbonisation, Planned Maintenance and the current Housing Development Programme, as per the Housing Strategy to 2026. Table 1 demonstrates that the Council will be internally borrowed beyond the resources available for investment. At this point, an external borrowing position sets in. At the appropriate time the Council will consult with its treasury advisors on how best to service its borrowing requirements, including the possibility of renewing maturing loans on the HRA.

1.16. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Council expects to comply with this recommendation.

1.17. **Liability benchmark**

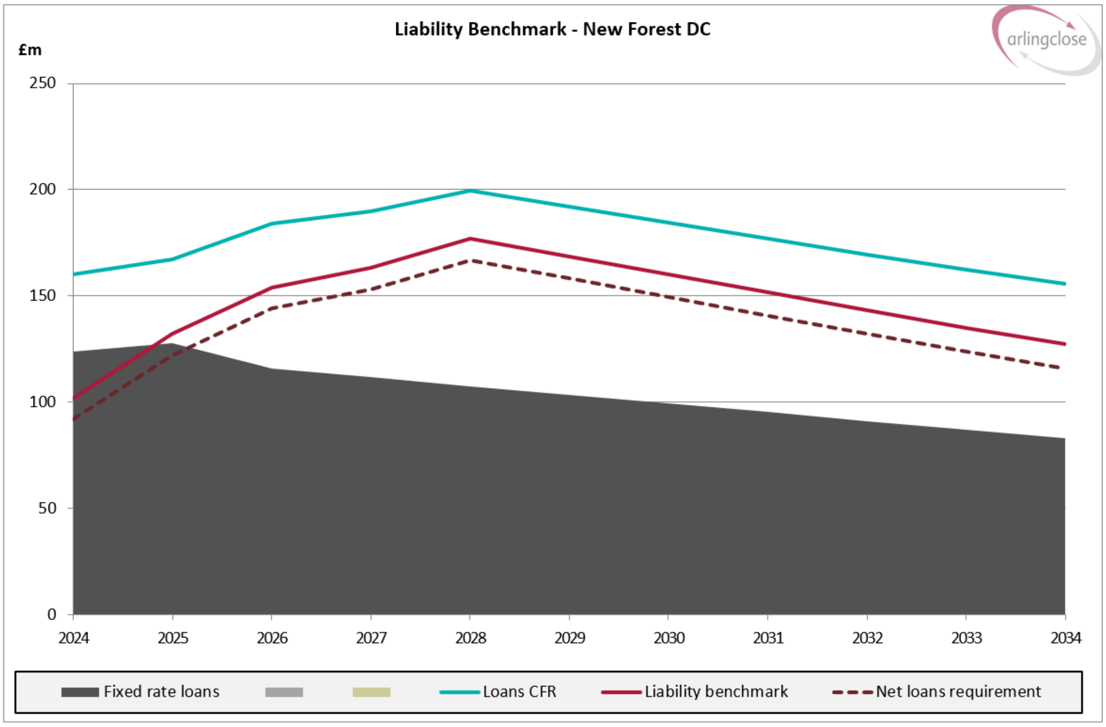
1.18. To compare the Council's actual borrowing against an alternative strategy, CIPFA requires that a liability benchmark is calculated to show the lowest risk level of borrowing. This assumes the same forecasts as Table 2 but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

1.19. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

| **Table 3: Liability benchmark** | **31/03/24 Actual £m** | **31/03/25 Estimate £m** | **31/03/26 Forecast £m** | **31/03/27 Forecast £m** | **31/03/28 Forecast £m** |
|---|---|---|---|---|---|
| Total CFR | 160.2 | 167.2 | 184.2 | 190.0 | 199.5 |
| Less: Balance sheet resources | (67.5) | (45.2) | (40.2) | (36.9) | (32.6) |
| **Net loans requirement** | **92.7** | **122.0** | **144.0** | **153.1** | **166.9** |
| Plus: Liquidity allowance | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| **Liability benchmark** | **102.7** | **132.0** | **154.0** | **163.1** | **176.9** |

1.20. At the start of the period, 31 March 2024, the Council had a Total CFR of £160.2m, external borrowing of £124.0m, balance sheet resources of £67.5m and a liability benchmark of £102.7m. The difference of £36.2m between the CFR and external borrowing is internal borrowing which is where the Council has used its own resources to fund its borrowing requirement.

**Graph 1: Liability Benchmark**




The full liability benchmark is available at Appendix D to this report.

1.21. The liability benchmark is the lowest level of debt the Council could hold if it used all of its balances, reserves and cash flow surpluses to fund its CFR. The liability benchmark graph is based on five years of data which explains why the Loans CFR line in Graph 1 continues to reduce past the initial five-year period – the diagram assumes that no new capital projects will begin after 2027/28, which is a very unlikely scenario but a reflection of the current horizon for capital expenditure forecasts.

1.22. The Council expects a positive liability benchmark across the forecast period, due to a rising CFR in combination with an expectation that balance sheet resources will drop, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR.

1.23. The chart shows that it is expected that the external borrowing the Council has already arranged will not be sufficient, with it being below the minimum borrowing requirement, and so indicates that additional borrowing may be required to rectify this.

1.24. Unfortunately, a limitation of liability benchmarking is that the further out the forecast, the less it can be relied upon (particularly after 2027/28 after the end of the current capital expenditure forecast period) and so as time passes, the requirement to borrow may change and either may not be there for the whole period, or alternatively cash flow requirements that are not known about today may become present later which may require the Council to take additional external borrowing in the future.

## 4. BORROWING STRATEGY

1.25. The Council currently holds £137.0m of loans. The balance sheet forecast in Table 1 shows that the Council is forecast to maintain a net borrowing position, and so may need to borrow to fund capital expenditure to maintain its long-term and minimum level of investments. The Council may also borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £230.5m.

### Objectives

1.26. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

### Strategy

1.27. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium term to either use internal resources, or to borrow short-term loans instead.

1.28. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future costs low, even if this causes additional cost in the short-term.

1.29. The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans. The Council may take the decision to retain the level of current borrowing attributed to the Housing Revenue Account to meet forthcoming pressures related to maintenance and building requirements. The level of borrowing could be retained through rearranging PWLB loans on maturity.

1.30. The Council may also arrange forward starting loans during 2025/26, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. The council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money.

1.31. In addition, the Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

**Sources of borrowing**

1.32. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Hampshire Pension Fund)
- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

**Other sources of debt finance**

1.33. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset-backed finance

**Short-term and variable rate loans**

1.34. These loans leave the Council exposed to the risk of short-term interest rate rises, which is monitored through the indicator on interest rate exposure in the treasury management indicators below.

**Debt rescheduling**

1.35. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities could arise and the opportunity to reschedule is kept under review.

## 5. TREASURY INVESTMENT STRATEGY

1.36. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £29.7m and £76.6m.

**Objectives**

1.37. The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The 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. The council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

**Strategy**

1.38. As demonstrated by the liability benchmark above, the council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

1.39. Given the increasing risk the Council aims to continue to hold investments that provide diversification through greater security and/or higher yielding asset classes.

This is especially the case for the estimated funds that are available for longer-term investment.

1.40. At 31 December 2024 approximately 42% of the Council's investment balances were invested so that they were not subject to bail-in risk, as they were invested in Government investments, pooled property and equity funds, and secured bank bonds. Of the 58% of investment balances that were subject to bail-in risk, 82% were held in overnight money market funds and cash plus funds which are subject to a reduced risk of bail-in due to the high level of diversification within these investments, and 18% were held in overnight bank call accounts for liquidity purposes.

1.41. Further detail is provided at Appendix B.

**Environmental, social and governance factors**

1.42. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in strategic pooled funds, the Council will prioritise funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

**Business models**

1.43. Under the new IFRS 9 standard, the accounting for certain investments depends on the 'business model' for managing them. The Council aims to achieve value from its internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

**Investments in pooled funds**

1.44. The Council continues to invest in pooled funds which enables it to achieve a greater degree of diversification than could effectively be achieved by directly owning individual assets. Pooled funds are managed by specialist external fund managers who are best placed to select and manage investments, for example with property investments in selecting appropriate buildings and then managing the relationship with tenants and the maintenance of those buildings.

1.45. Diversification in itself does not guarantee positive outcomes. The selection of a pooled fund is carefully managed to target funds with a strong performance track record and objectives that are well aligned to the Council’s income returns aims without putting its initial investment at undue risk over the longer term. The Council is therefore currently invested in a pooled fund that specialises in providing income returns to support the revenue budget. As a result of their income focus this fund may not achieve the same capital growth and therefore total return, as other more general investment funds, however it is likely to deliver good income returns for the longer term.

1.46. The investible universe for pooled funds is vast and part of the service provided by Arlingclose as treasury advisers is to conduct research and suitable due diligence on pooled funds prior to making recommendations to their clients.

1.47. Past performance does not guarantee that funds can replicate successful outcomes in future and knowing which funds will perform well is not an exact science. The Council will therefore continue to conduct its own ongoing review and scrutiny of the performance of its pooled fund investments. The Council will also discuss these investments regularly with Arlingclose, who provide advice based on regular meetings with representatives from the pooled funds and their own ongoing due diligence on areas such as performance and investment style, strategy and process.

1.48. The Council is aware of the risks involved with investing in pooled funds that hold underlying investments in equities and property. When the Council began to specifically target higher returns from a proportion of its investments, it also established a Treasury Management Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. The balance held in this reserve is currently £300,000.

1.49. At the current time, the Council's pooled fund investments are valued with an unrealised capital loss of £0.7m. To date, the statutory override in place of IFRS 9 for local authorities exempts the Council from taking this unrealised loss to the Comprehensive Income and Expenditure Statement. This override is due to come to an end on 31 March 2025, following which the Council will be required to reflect any unrealised capital gains or losses on investments in the revenue account on an annual basis.

**Investment limits**

1.50. The maximum that will be lent to any one organisation (other than the UK Government) will be £7m. Over the longer term it is expected that the Council's cash balances will reduce, and new external borrowing will need to be taken. This limit allows the flexibility to ensure that all of the Council's cash can be invested in accordance with this TMSS.

1.51. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers as shown in Table 4.

| Table 4: Investment limits | Cash limit |
|---|---|
| Any single organisation, except the UK Central Government | £7m each |
| UK Central Government | Unlimited |
| Any group of pooled funds under the same management | £17.5m per manager |

**Approved counterparties**

1.52. The Council may invest its surplus funds with any of the counterparty types in Table 5, subject to the limits shown.

| Table 5: Sector and counterparty limits | | | |
|---|---|---|---|
| **Sector** | **Time limit** | **Counterparty limit** | **Sector limit** |
| The UK Government | 3 years | Unlimited | n/a |
| Local authorities & other government entities | 3 years | £7m | Unlimited |
| Secured investments * | 3 years | £7m | Unlimited |
| Banks (unsecured) * | 13 months | £3.5m | Unlimited |
| Building societies (unsecured) * | 13 months | £3.5m | £7m |
| Registered providers | 3 years | £3.5m | £17.5m |
| Money market funds * | n/a | £7m | Unlimited |
| Strategic pooled funds | n/a | £7m | £35m |
| Real estate investment trusts | n/a | £7m | £17.5m |
| Other investments * | 5 years | £3.5m | £7m |

This table must be read in conjunction with the notes below

**Time limit**

1.53. Borrowing to invest primarily for financial return is in contravention of the CIPFA Treasury Management Code. To reflect the expectation that long-term borrowing will be a requirement for the Council, time limits for investment have therefore been shortened to a maximum of 3 years.

*** Minimum credit rating**

1.54. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-/A3. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant known factors including external advice will be taken into account.

1.55. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

**UK Government**

1.56. Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

**Local authorities and other government entities**

1.57. Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

**Secured investments**

1.58. Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured)**

1.59. Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured)**

1.60. Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds**

1.61. Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds**

1.62. Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

**Other investments**

1.63. This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

### Operational bank accounts

1.64. The Council may incur operational exposures, for example though current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept low. The Council's operational bank account is with Lloyds and aims to keep the overnight balances held in current accounts as positive, and as close to £0 as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

### Risk assessment and credit ratings

1.65. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

1.66. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### Other information on the security of investments

1.67. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

1.68. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022 this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will likely lead to investment returns falling but will protect the principal sum invested.

**Liquidity management**

1.69. The Council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the Council's medium term financial position (summarised in Table 1) and forecast short-term balances.

1.70. The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the Council will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

## 6. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

1.71. The Council measures and manages its exposures to treasury management risks using the following indicators.

**Interest rate exposures**

1.72. The following table shows the sensitivity of the Council's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

| Table 6: Interest rate exposures | 31 December 2024 £m | Impact of +/- 1% interest rate change £m |
|---|---|---|
| Sums subject to variable interest rates | | |
| Investment | 57.4 | +/- 0.6 |
| Borrowing | (12.1) | +/- (0.1) |

**Maturity structure of borrowing**

1.73. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

| Table 7: Refinancing rate risk indicator | Upper | Lower |
|---|---|---|
| Under 12 months | 25% | 0% |
| 12 months and within 24 months | 25% | 0% |
| 24 months and within 5 years | 25% | 0% |
| 5 years and within 10 years | 35% | 0% |
| 10 years and above | 100% | 0% |

1.74. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal sums invested for periods longer than a year**

1.75. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

| Table 8: Price risk indicator | 2025/26 | 2026/27 | 2027/28 | No fixed date |
|---|---|---|---|---|
| Limit on principal invested beyond a year | £15m | £15m | £10m | £10m |

1.76. Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

1.77. In effect, the annual limit and the no fixed date limit would be added together to reach the total limit on principal invested beyond year end, meaning that during 2025/26, for example, the Council could invest up to £25m for the long-term, subject to investment balances and cash flow requirements.

## 7. RELATED MATTERS

1.78. The CIPFA Code requires the Council to include the following in its TMSS.

**Financial derivatives**

1.79. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

1.80. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

1.81. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

1.82. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

**Housing Revenue Account**

1.83. On 1 April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Bank of England base rate (Bank Rate).

**Investment of money borrowed in advance of need**

1.84. The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

**Markets in Financial Instruments Directive**

1.85. The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the s151 Officer believes this is the most appropriate status.

## 8. FINANCIAL IMPLICATIONS

1.86. The budget for investment income in 2025/26 is £1.3m, whilst the budget for debt interest paid in 2025/26 is £5.5m, based on an average debt portfolio of £146m at an average interest rate of 3.8%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. Interest paid on any new borrowing will depend on the actual level of borrowing necessary and the interest rates obtained on that borrowing.

## Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2024

### Underlying assumptions:

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.

- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.

- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.

- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.

- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6%

could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.

- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.

- US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

**Forecast:**

- In line with our forecast, Bank Rate was held at 4.75% in December.

- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.

- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.

- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.

- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

| | Current | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.25 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Central Case | 4.75 | 4.50 | 4.25 | 4.00 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |
| Downside risk | 0.00 | -0.25 | -0.25 | -0.50 | -0.50 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 |
| 3-month money market rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.25 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Central Case | 4.90 | 4.60 | 4.35 | 4.10 | 3.90 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 | 3.85 |
| Downside risk | 0.00 | -0.25 | -0.25 | -0.50 | -0.50 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 | -0.75 |
| 5yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| Central Case | 4.34 | 4.30 | 4.20 | 4.10 | 4.00 | 3.90 | 3.90 | 3.95 | 4.00 | 4.05 | 4.05 | 4.05 | 4.05 |
| Downside risk | 0.00 | -0.50 | -0.60 | -0.65 | -0.65 | -0.70 | -0.70 | -0.75 | -0.75 | -0.80 | -0.80 | -0.80 | -0.80 |
| 10yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| Central Case | 4.56 | 4.55 | 4.45 | 4.30 | 4.20 | 4.20 | 4.20 | 4.20 | 4.25 | 4.25 | 4.25 | 4.25 | 4.25 |
| Downside risk | 0.00 | -0.50 | -0.60 | -0.65 | -0.65 | -0.70 | -0.70 | -0.75 | -0.75 | -0.80 | -0.80 | -0.80 | -0.80 |
| 20yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| Central Case | 5.05 | 5.00 | 4.90 | 4.80 | 4.70 | 4.65 | 4.65 | 4.65 | 4.65 | 4.65 | 4.65 | 4.65 | 4.65 |
| Downside risk | 0.00 | -0.50 | -0.60 | -0.65 | -0.65 | -0.70 | -0.70 | -0.75 | -0.75 | -0.80 | -0.80 | -0.80 | -0.80 |
| 50yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.70 | 0.80 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| Central Case | 4.52 | 4.70 | 4.60 | 4.50 | 4.40 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 | 4.35 |
| Downside risk | 0.00 | -0.50 | -0.60 | -0.65 | -0.65 | -0.70 | -0.70 | -0.75 | -0.75 | -0.80 | -0.80 | -0.80 | -0.80 |

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

## Appendix B – Existing Investment & Debt Portfolio Position at 31 December 2024

### Treasury investment position

| Investments | 30/09/2024 Balance £m | Net movement £m | 31/12/2024 Balance £m | 31/12/2024 Income return % | 31/12/2024 Weighted average maturity years |
|---|---|---|---|---|---|
| **Short term Investments** | | | | | |
| Banks and building societies: | | | | | |
| - Unsecured | 4.0 | 4.0 | 8.0 | 4.66 | 0.01 |
| - High quality | 2.0 | (2.0) | 0.0 | N/A | N/A |
| Money Market Funds | 13.7 | 11.6 | 25.3 | 4.76 | 0.00 |
| Government: | | | | | |
| - Local authorities | 1.5 | (1.5) | 0.0 | N/A | N/A |
| - Supranational banks | 1.5 | (1.5) | 0.0 | N/A | N/A |
| - UK Treasury Bills | 6.0 | 7.0 | 13.0 | 4.77 | 0.06 |
| Cash plus funds | 2.0 | 0.0 | 2.0 | 4.49 | 0.01 |
| | **30.7** | **17.6** | **48.3** | **3.99** | **0.02** |
| **Long term investments** | | | | | |
| - Pooled property* | 7.6 | 0.0 | 7.6 | 5.12 | N/A |
| - Pooled equity* | 1.5 | 0.0 | 1.5 | 7.36 | N/A |
| | **9.1** | **0.0** | **9.1** | **5.49** | **N/A** |
| **TOTAL INVESTMENTS** | **39.8** | **17.6** | **57.4** | **4.86** | **0.02** |

* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 December 2024 based on the market value of investments 12 months earlier.

| **Treasury management position** | 31/12/2024 Balance £m | 31/12/2024 Rate % |
|---|---|---|
| **External borrowing** | | |
| - PWLB | (124.0) | 3.48 |
| - Other Local Authorities | (8.0) | 5.50 |
| **Other long-term liabilities** | | |
| - Leases | 0 | |
| **Investments** | | |
| - Investments | 57.4 | 4.86 |
| **Net Debt** | **(74.6)** | |

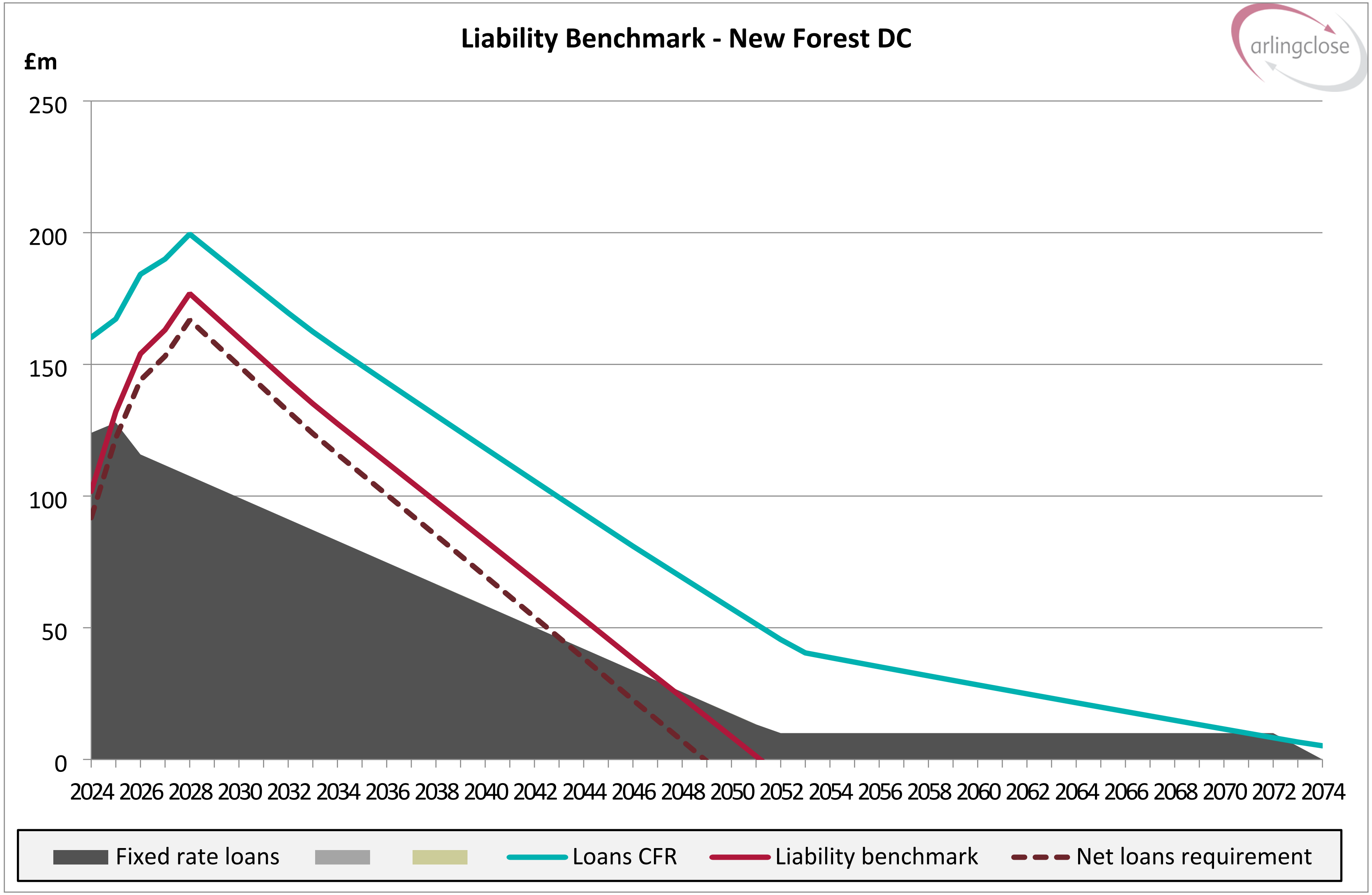
**Appendix C - Q3 2024/25 Treasury Management Indicators at 31 December 2024**

| **Debt limits** | 2024/25 Maximum £m | 31/12/24 Actual £m | 2024/25 Operational Boundary £m | 2024/25 Authorised Limit £m | Complied |
|---|---|---|---|---|---|
| Total debt | (134.9) | (132.0) | (211.5) | (230.5) | ✓ |

| **Refinancing rate risk indicator** | 31/12/24 Actual | Upper Limit | Lower Limit | Complied |
|---|---|---|---|---|
| Under 12 months | 9% | 25% | 0% | ✓ |
| 12 months and within 24 months | 3% | 25% | 0% | ✓ |
| 24 months and within 5 years | 9% | 25% | 0% | ✓ |
| 5 years and within 10 years | 16% | 25% | 0% | ✓ |
| 10 years and above | 63% | 100% | 0% | ✓ |

| **Price risk indicator** | 2024/25 £m | 2025/26 £m | 2026/27 £m | No fixed date |
|---|---|---|---|---|
| Actual principal invested beyond a year | - | - | - | £9.1m |
| Limit on principal invested beyond a year | £20m | £15m | £15m | £10m |
| Complied | ✓ | ✓ | ✓ | ✓ |

**Appendix D – 50 year Liability Benchmark graph**


Liability Benchmark - New Forest DC
arlingclose
£m
250
200
150
100
50
0
2024 2026 2028 2030 2032 2034 2036 2038 2040 2042 2044 2046 2048 2050 2052 2054 2056 2058 2060 2062 2064 2066 2068 2070 2072 2074
Fixed rate loans
Loans CFR
Liability benchmark
Net loans requirement

**Audit Committee – 24 January 2025**

# Investment Strategy 2025/26

| | |
|---|---|
| Purpose | For Decision |
| Classification | Public |
| Executive Summary | This report provides the council's proposed investment strategy for 2025/26.<br>It provides a high-level overview of how the Council manages and invests its surplus cash and its associated investment assets |
| **Recommendation(s)** | **It is recommended that Audit Committee:**<br>**1) Recommend to Full Council that the Investment Strategy 2025/26 provided in Appendix 1 be approved.** |
| Reasons for recommendation(s) | To comply with the statutory guidance issued by the Government in January 2018. |
| Ward(s) | All |
| Portfolio Holder(s) | Councillor Jeremy Heron – Finance and Corporate |
| Strategic Director(s) | Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer) |
| Officer Contact | Paul Whittles<br>Assistant Director - Finance<br>02380 285766<br>paul.whittles@nfdc.gov.uk |

## Introduction and background

1. The Investment Strategy provided in Appendix 1 is a high-level document, giving an overview of how the Council manages and invests its surplus cash and its associated investment assets.

2. The Council currently holds and has approved strategy in place to increase its exposure in a variety of Investments held in part for the purpose of generating additional income to the Council.

3. By producing this overarching investment strategy report, the Council is following statutory guidance issued by the Government in January 2018.

**Overview of the Investment Strategy contents**

Treasury Management Investments

4. The Investment Strategy has regard to the Treasury Management Strategy, which sets out in detail how the Council's treasury service will invest surplus cash, taking into consideration the requirements of the Council's capital programme, and other financing needs.

5. The balance of treasury management investments fluctuates and can exceed £80m at given points during a fiscal period. However, it is worth noting that overall the Council's cash balances have been reducing and the need to borrow in order to continue supporting the Council's priorities has increased.

Property Investments

6. The Property investments section of the strategy brings together properties which have been in NFDC ownership for several years, as well as the accumulation of property investment strategies that have been adopted more recently by this Council. Although the primary purpose of these adopted strategies is to support the economic sustainability and regeneration within the District and provide additional housing to support New Forest residents and communities, the strategies also generate a revenue return, hence being prevalent to this investment strategy.

7. The strategy considers the contribution made by these investments, the security, the risk assessment process and liquidity.

8. The strategy sets out various performance indicators, designed to assist readers understand the implications of the Council's investing activities on the general fund, and the forecast yields expected from the differing investment categories.

**Corporate plan priorities**

9. Regular monitoring and reporting of our financial activity including adjusting budgets whilst maintaining a balanced medium term financial plan (MTFP), ensures we are being financially responsible and supports our Future New Forest transformation programme which underpins the delivery of all our priorities.

**Options appraisal**

10. None undertaken.

**Consultation undertaken**

11. Consultation between our external advisors and internal finance officers, service managers and budget holders has determined the forecast data presented in the report.

**Financial and resource implications**

12. This is a financial report with budget implications already detailed and considered in the main body of the report.

**Legal implications**

13. There are no legal implications arising directly from this report.

**Risk assessment**

14. None undertaken.

**Environmental / Climate and nature implications**

15. There are no environmental implications arising directly from this report.

**Equalities implications**

16. There are no equality implications arising directly from this report.

**Crime and disorder implications**

17. There are no crime and disorder implications arising directly from this report.

**Data protection / Information governance / ICT implications**

18. There are no data protection, information governance or ICT implications arising directly from this report.

| **Appendices:** | **Background Papers:** |
|---|---|
| Appendix 1 – Investment Strategy 2025/26 | Treasury Management Strategy 2025/26 |
| | Capital Strategy 2025/26 |

# Investment Strategy 2025/26

## Introduction

1. The Authority invests its money for two broad purposes:

   a. because it has surplus cash, as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),

   b. to invest in a sustainable and vibrant New Forest Economy, supporting employment and industry; investment income is also earned (known as property investments).

2. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and predominately focuses on the second of these categories.

## Treasury Management Investments

3. The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments fluctuates and in the past 12 months the Council's investment balance has ranged between £29.7 million and £76.6 million.

4. **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

5. **Further details:** Full details of the Authority's policies and its plan for 2025/26 for treasury management investments are covered in a separate document; the Treasury Management Strategy.

## Property Investments

6. **Contribution:** The Council invests in commercial and residential property with the intention of supporting the New Forest economy and community and returning a net income that will be spent on local public services. The Council has established a £50 million fund for the purposes of investment in commercial property, inside or within areas immediately adjacent to, the District boundary, and a

£10 million fund exists for investment in residential property, inside or within areas immediately adjacent to the District boundary. Both funds have been established to support the local New Forest economy and community and both also generate an income return.

7. The Council can own commercial property directly and has established a wholly owned group of companies for the purposes of investment in residential property. The Council intends to make equity investments into the group of companies and issue loans, on the latter of which the Council will receive interest payments. Both strategies have socioeconomic benefits, such as stimulation of local economies through investment in commercial premises and growth in the supply of housing throughout the District.

8. **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. Three out of the fourteen investment properties owned by this Council as at 31/03/24 have been in the Council's ownership for well over a decade. The first acquisition under the Council Commercial Property Investment Strategy was completed in December 2017, and acquisitions and developments have increased thereafter.

9. The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

10. Table 1: Loans in £millions

| Category of borrower | 31.3.2024 actual | | | 2025/26 |
|---|---|---|---|---|
| | Balance owing | Loss allowance | Net figure in accounts | Approved Limit |
| Subsidiaries | 3.713 | 0.000 | 3.713 | 8.000 |
| TOTAL | **3.713** | **0.000** | **3.713** | **8.000** |

11. Table 2: Shares in £millions

| Category of company | 31.3.2024 actual | | | 2025/26 |
|---|---|---|---|---|
| | Amounts invested | Gains or losses | Value in accounts | Approved Limit |
| Subsidiaries | 1.388 | -0.021 | 1.367 | 4.000 |
| TOTAL | **1.388** | **-0.021** | **1.367** | **4.000** |

12. The figures as included in tables 1 and 2 above are in relation to the wholly owned group of housing companies. The total initial investment made up of debt and equity is to total £10 million. The mix of debt and equity will be fluid, and so for the purposes of setting individual limits, the potential maximum in each instance has been shown hence equating to more than £10 million.

13. Table 3: Commercial Property held generating income in £millions

| Property | 31.3.23 | 31.3.2024 actual | | | 2024/25 |
|---|---|---|---|---|---|
| | Value in Accounts | Gains or (losses) | Additions or (Disposals) | Value in accounts | Additions to date |
| Hythe Marina | 2.553 | 0.245 | 0.000 | 2.798 | 0.000 |
| Hardley Industrial Estate | 5.088 | 0.050 | 0.000 | 5.138 | 0.000 |
| New Forest Enterprise Centre | 1.089 | 0.000 | 0.000 | 1.089 | 0.000 |
| New Milton Health Centre | 2.629 | -0.140 | 0.000 | 2.489 | 0.000 |
| Platinum Jubliee Business Park | 9.552 | -1.002 | 0.000 | 8.550 | 0.000 |
| Ampress Car Park, Lymington | 2.030 | 0.111 | 0.000 | 2.141 | 0.000 |
| The Parade, Salisbury Road Totton | 1.599 | -0.088 | 0.000 | 1.511 | 0.000 |
| Queensway, New Milton | 1.012 | 0.607 | 0.000 | 1.619 | 0.000 |
| Unit 1 Nova Business Park, New Milton | 0.560 | -0.012 | 0.000 | 0.548 | 0.000 |
| Drive-Thru Unit, Totton | 1.382 | -0.010 | 0.000 | 1.372 | 0.000 |
| 27 Salisbury Road, Totton | 1.901 | -0.001 | 0.000 | 1.900 | 0.000 |
| Station Road, New Milton | 5.000 | 0.000 | 0.000 | 5.000 | 0.000 |
| 1b Junction Road, Totton | 0.208 | -0.081 | 0.000 | 0.127 | 0.000 |
| Unit 800 Ampress Park, Lymington | 1.904 | -0.001 | 0.000 | 1.903 | 0.000 |
| | | | | | |
| TOTAL | **36.507** | **-0.322** | **0.000** | **36.185** | **0.000** |

14. Note: The table above includes material properties denoted in the accounts as Other Land & Buildings (not used operationally by the Council) and Investment Properties, to reflect different statutory

accounting definitions of these assets which all have a wider socioeconomic purpose.

15. Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments. Market research is undertaken regularly, and potential opportunities objectively evaluated by the in-house estates team, utilising external expertise as and when necessary.

16. The Authority assesses the risk of loss in its residential holdings before entering into, and whilst holding loans through regular communication via the board of directors and the Council. The board has the freedom to engage with specialist consultants as and when required.

17. Purchases of properties and development opportunities are only completed once a full business case has been prepared and signed off by the investment panel, or board, or by the Council if above delegated financial parameters.

18. **Liquidity:** Compared with other investment types, property can be relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council will ensure to keep suitable minimum cash balances available, for example to repay capital borrowed.

**Proportionality**

19. The Council is expecting investment activity to assist in achieving a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected net profit from investments, excluding financing costs, over the lifecycle of the Medium -Term Financial Plan. Should it fail to achieve the expected net profit, the Council will continually review and evaluate its services, and their delivery models, ensuring the most efficient service is provided to the residents of the New Forest. Prudent use of reserves can also be considered as a suitable contingency plan for continuing to provide these services in the short term.

20. Table 4: Proportionality of non-treasury Investments (£millions)

| | 2023/24 Actual | 2024/25 Forecast | 2025/26 Budget | 2026/27 Budget | 2027/28 Budget |
|---|---|---|---|---|---|
| Gross service expenditure | 43.000 | 47.000 | 47.000 | 47.000 | 47.000 |
| Investment income | 1.859 | 2.084 | 2.210 | 2.320 | 2.320 |
| Proportion | 4.3% | 4.4% | 4.7% | 4.9% | 4.9% |

## Capacity, Skills and Culture

21. **Elected members and statutory officers:** Commercial Property investments are made pursuant to the Asset Investment Strategy approved by the Council in 2017, and refresh approved by the Council in 2022. An experienced team formed from the Council's finance, estates and valuation and legal departments prepare initial assessments and recommendations concerning suitable properties. Prior to entry into a bidding process, approval must be secured from the Portfolio Holder: Finance & Corporate Services, the Monitoring Officer and the section 151 Officer. Prior to entry into binding legal agreements, final approval must be secured from the Chief Executive, the Monitoring Officer and the section 151 Officer in consultation with the Portfolio Holder: Finance & Corporate Services and the Chairman of the Resources and Transformation Overview and Scrutiny Panel for transactions up to £5 million, and the approval of Cabinet for transactions above £5 million. This detailed and clear process of scrutiny and decision making by key senior officers and members ensures the strategic objectives, risk profiles and overall risk exposure for the Council are considered and fully understood.

22. **Commercial deals:** The Council will take a prudent approach to the management of financial risk and the assessment of possible investments. The criteria for selecting investment assets set out in the Asset Investment Strategy and the steps for selecting assets set out above accord with prudent investment principles and the key decision makers, including the section 151 Officer, are involved in the process to ensure compliance.

23. **Corporate governance:** The Asset Investment Strategy originally created in 2017 and updated in 2022 makes express reference (at paragraph 2.1) to the Council's Corporate Plan 2020-2024 and was prepared in the context of seeking to deliver on those priorities. The objectives remain valid in the context of the updated Corporate Plan 2024 – 2028 and the Council's new priorities. The process for selecting assets is set out in the Asset Investment Strategy to ensure accountability, responsibility and authority for decision

making on investment activities within the context of the local authority's corporate values.

## Investment Indicators

24. The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure, as a result of its investment decisions.

25. **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

26. Table 5: Total investment exposure in £millions

| Total investment exposure | 31.03.2024 Actual | 31.03.2025 Forecast | 31.03.2026 Budget | 31.03.2027 Budget | 31.03.2028 Budget |
|---|---|---|---|---|---|
| Pooled Fund T M investments | 9.10 | 9.10 | 9.10 | 9.10 | 9.10 |
| Other T M investments | 22.20 | 0.90 | 0.90 | 0.90 | 0.90 |
| Subsidiary investments: Loans | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 |
| Subsidiary investments: Shares | 1.36 | 1.36 | 1.36 | 1.36 | 1.36 |
| Commercial investments: Property | 36.67 | 36.67 | 36.67 | 36.67 | 36.67 |
| TOTAL INVESTMENTS | **73.05** | **51.75** | **51.75** | **51.75** | **51.75** |
| Commitments to lend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Guarantees issued on loans | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL EXPOSURE | **73.05** | **51.75** | **51.75** | **51.75** | **51.75** |

27. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments can be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

28. All investments made to date are funded through internal borrowing. It is anticipated that external borrowing will be required to part fund the programme in the future, once new investment is reintroduced (currently paused as a result of the high interest rate environment).

29. Table 6: Investments funded by borrowing in £millions

| Investments funded by borrowing | 31.03.2024 Actual | 31.03.2025 Forecast | 31.03.2026 Budget | 31.03.2027 Budget | 31.03.2028 Budget |
|---|---|---|---|---|---|
| Subsidiary investments: Loans | 3.71 | 3.71 | 3.71 | 3.71 | 3.71 |
| Commercial investments: Property | 22.31 | 22.31 | 22.31 | 22.31 | 22.31 |
| TOTAL FUNDED BY BORROWING | **26.02** | **26.02** | **26.02** | **26.02** | **26.02** |

30. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of external borrowing where appropriate, as a proportion of the sum initially invested.

31. Table 7: Investment rate of return (net of costs)

| Investments net rate of return | 2023/24 Actual | 2024/25 Forecast | 2025/26 Budget | 2026/27 Budget | 2027/28 Budget |
|---|---|---|---|---|---|
| Treasury management investments | 1.03% | 2.92% | 3.50% | 3.50% | 3.50% |
| Subsidiary investments: Weighted Average | 3.82% | 3.82% | 3.82% | 3.82% | 3.82% |
| Commercial investments: Property | 4.54% | 5.15% | 5.49% | 5.79% | 5.79% |

32. **Notes to table 7:** As cash balances reduce, the overall treasury management investment earnings in £000's will reduce. However, the funds that are held by the Council will represent required minimum balances and will continue to be placed within medium-longer term strategic funds, which are typically higher yielding.

33. The general increase in the rate of return for Commercial Property is due to the growth of expected rental income, principally at the Platinum Jubilee Business Park and Queensway following refurbishment and temporary use by the council. As already outlined, the authority does not associate direct borrowing with individual assets. Borrowing will be incurred in the overall context of the Capital Financing Requirement and cash balances.

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**Audit Committee – 24 January 2025**

**Principal Risk and Risk Management Policy Update**

| | |
|---|---|
| Purpose | For Decision |
| Classification | Public |
| Executive Summary | The Risk Management Policy (Appendix 1), and Principal Risks (Appendix 2), now included within this report contains the significant risks, as identified by senior and executive council officers in consultation with the Portfolio Holders, in the Council achieving the priorities set out in the 'For people, place, prosperity Corporate Plan 2024-28' |
| **Recommendation(s)** | **1) To offer input on the Principal Risks and the revised Risk Policy prior to presenting them to the Cabinet** |
| Reasons for recommendation(s) | To assist the council in being aware of risks and making evidence-based decisions, thereby adding value to their processes and outcomes. |
| Ward(s) | All |
| Portfolio Holder(s) | Councillor Jill Cleary – Leader / All |
| Strategic Director(s) | Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer) and Paul Whittles<br><br>Assistant Director - Finance |
| Officer Contact | James Clarke<br><br>Insurance and Risk Officer<br><br>02380 285002<br><br>James.Clarke@nfdc.gov.uk |

**Introduction and background**

1. The Risk Management Policy (Appendix 1) has been created to give clarity of approach to risk management at the Council, and to helpfully define process and roles and responsibilities. This gives a structured approach to ensure risks and opportunities are reviewed across all Services, Portfolio's and Corporately, in a consistent way.

2. The Council's Principal Risk (Appendix 2) has been reshaped to truly focus on the highest level of risk to the Council. The risks listed are now purely strategic and this will assist further in the Council achieving the priorities set out in the 'Community Matters Corporate Plan 2020-24'.

3. Risk management aims to identify the risks that may impact on the Council achieving its objectives. Its purpose is to evaluate, design and implement effective measures to reduce both the likelihood and potential impact of these risks occurring.

4. The Council has a statutory responsibility to have in place arrangements for managing risks under the Accounts and Audit Regulations, which require a sound system of internal control, facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk. As such it features strongly in the Council's Local Code of Practice for Corporate Governance and is one of the primary assurance strands in the Annual Governance Statement, which places significant reliance on a robust risk management framework.

5. The Risk Management Policy and Principal Risk Register have been developed through collaboration among senior and executive council officers to ensure a cohesive approach to identifying and documenting these risks.

**Risk Management Policy**

6. Developing and improving public services requires opportunities to be taken whilst managing the risks involved. In recent years all sectors of the economy have focused on management of risk as the key to making organisations successful. It enables organisations to deliver their objectives whilst protecting the interests of their stakeholders. New Forest District Council is dedicated to providing its stakeholders with the best possible service.

7. The effective management of risk is central to providing a safe and healthy environment in which to live and work and it allows the

Council to make the most of opportunities, whilst understanding and minimising the risks, where possible. This policy sets out how New Forest District Council manages its risks, and what we aim to do in the future to maintain our high standards in this area.

**Principal Risk Register**

8. Appendix 2 presents the Principal Risk Register, which identifies the most significant risks encountered by the council. This section evaluates and scores these risks while outlining proposed mitigation strategies. The recommended actions for risk mitigation are closely aligned with the available portfolio resources and, in some cases, depend on collaboration with partners to successfully achieve the council's objectives.

9. A live and relevant document focused on risk principal approach for our council provides crucial benefits. It maintains up-to-date information that accurately reflects the specific risks and challenges unique to the district. By presenting this information in a concise format, stakeholders can swiftly identify and understand the key risk factors and mitigation strategies. This clarity facilitates more effective decision-making and allows the council to respond proactively to emerging risks, ultimately strengthening the overall risk management framework and ensuring the district's resilience.

**Corporate plan priorities**

10. The recommendations aim to improve the effective execution of all corporate plan priorities by presenting risk mitigation strategies that tackle the overarching vulnerabilities faced by the Council.

**Options appraisal**

11. Principal risks are essential for the council's effective risk management. Without this register, we may face significant operational, financial, and reputational challenges, highlighting the need for proper prioritisation. The RM policy update will further strengthen our framework by incorporating best practices and aligning with current regulations to address potential threats proactively.

**Consultation undertaken**

12. Internal consultation with Assistant and Strategic Directors and Chief Executive.

**Financial and resource implications**

13. There are none arising directly from this report, although strong risk management and a solid understanding of risk helps to support robust financial management.

**Legal implications**

14. If the legal principal risks are not managed this does bring risk to the council.

**Risk assessment**

15. The Principal Risk Register is evidence of the risk assessment for the highest level of risk.

**Environmental / Climate and nature implications**

16. If the climate principal risks are not managed this does bring risk to the council.

**Equalities implications**

17. There are no equality implications arising directly from this report.

**Crime and disorder implications**

18. There are no crime and disorder implications arising directly from this report.

**Data protection / Information governance / ICT implications**

19. There are no data protection, information governance or ICT implications arising directly from this report.

| **Appendices:** | **Background Papers:** |
|---|---|
| Appendix 1 – Risk Management Policy | None |
| Appendix 2 – Principal Risk Register | |

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New Forest
DISTRICT COUNCIL

# Risk Management Policy

2025

# Contents

# 1. Introduction

This policy outlines the approach the Council takes with regards to its responsibility to manage risks and opportunities using a structured, focused and proportional methodology. Risk management is integral to all policy and project planning and operational management throughout the Council and integrates with our corporate governance and performance management.

This approach to risk management actively supports the achievement of the agreed actions, projects and programmes included as set out in the Council's adopted Corporate Plan.

The Council believes that risk needs to be managed rather than avoided and that consideration of risk should not stifle innovation and creativity.

# 2. Risk Management Policy Statement

We consider risk management to be a fundamental function that supports and aligns with our vision, values, and strategic objectives. This encompasses our commitment to operating in an effective and efficient manner while fostering confidence within our community. Acknowledging that risk is inherent in all our activities, our policy mandates the proactive identification, assessment, and management of significant risks. We strive to embed risk management into all operations and initiatives at New Forest District Council. It is essential that risk management is integrated into every process, project, and strategic decision, including procurement and contracting. We will ensure that our partnerships and third-party relationships adhere fully to the Council's Risk Management Policy.

Our approach to risk management must be tailored to our organisation, reflecting our size and the diverse nature of our operations while leveraging our skills and capabilities to their fullest potential. Risk management is most effective when functioning as an enabling tool, necessitating a consistent, well communicated, and formalised process across New Forest District Council. Defining the acceptable level of risk exposure, will provide clarity regarding which risks may threaten New Forest District Council's ability to achieve its objectives.

The risk management policy statement, along with its supporting documentation, establishes an integrated framework that empowers New Forest District Council to manage risk effectively. By implementing our risk management policy, we assure all stakeholders that risk identification and management are pivotal in the execution of our Corporate Plan priorities and related objectives. We will engage, empower, and assign ownership to all staff members in the identification and management of risks. Risk management activities will receive ongoing support and oversight from senior management through regular discussions and appropriate actions.

This includes comprehensive and routine evaluations of significant risks, assessment of mitigation strategies, and the implementation of actions to reduce risks to an acceptable level where possible. Effective risk management will be an integral component of both strategic and operational planning, as well as the day-to-day operations.

# 3. Risk Appetite

The council's risk appetite is characterised as moderate, emphasising a cautious approach that limits exposure to certain levels of risk. This strategic stance is designed to ensure that the council can achieve satisfactory outcomes while maintaining stability and fostering long-term sustainability in its decision-making processes.

The council's current overall risk appetite is categorised as MODERATE (refer to the table below for definitions). This classification indicates that the council is receptive to innovative approaches and is willing to explore options that may present substantial rewards, even when accompanied by higher levels of risk. Nevertheless, the council prefers safer delivery methods that entail a lower risk, particularly for services mandated by statute.

| Risk Appetite Definitions | |
|---|---|
| Avoid | No appetite. Not prepared to take risk. |
| Adverse | Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return. |
| Cautious | Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return. |
| Moderate | Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes. |
| Open | Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk. |
| Hungry | Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return. |

# 4. Risk Management Roles and Responsibilities

**The key roles and responsibilities are outlined below:**

**Council**

Consider and adopt the Council's risk management strategy and framework and any amendments/updates as recommended from time to time by the Council's Audit Committee.

**Cabinet**

Oversee the Principal Risk Register and the proposed risk mitigation plans, ensuring effective implementation.

Stay informed about the risk management implications associated with decision-making.

**Audit Committee**

Advocate for the robust adherence to the Risk Management Policy and Principal Risk Register, emphasising the need for rigorous oversight and thorough evaluation.

Deliver independent assurance to the Council regarding the sufficiency and effectiveness of the risk management framework and the associated control environment, underscoring the challenges inherent in maintaining high standards of risk oversight.

**Executive Management Team (EMT)**

Provide corporate leadership of risk management throughout the Council.

Agree an effective Council-wide framework for the management of risks and opportunities.

Advise Members on effective risk management and ensure Members receive relevant risk information.

Ensure that the Council complies with the corporate governance requirements relating to risk management.

Own the Council's Principal Risk Register and ensure that risks are reviewed as part of the wider Council's performance arrangements.

Monitor the implementation of key mitigation plans and controls assurance programmes.

Ensure processes are in place to report any perceived new/emerging (key) risks or failures of existing control measures.

**Service and Senior Managers**

Ensure that risk management, within their areas of responsibility, is implemented in line with the Council's Risk Management Policy.

Own their Service Risk Registers and identify cross-cutting risks as well as risks arising from their areas of responsibility; prioritising and initiating mitigating actions.

Ensure regular review of the Risk Registers as part of wider Council performance, report risk to Management and EMT on any perceived new and emerging risks, or failures of existing control measures.

Promote and share good practice across service areas.

Challenge risk owners and actions to ensure that controls are operating as intended.

**Insurance and Risk Officer**

Lead on the development and manage the implementation of the Risk Management Policy behalf of the Council.

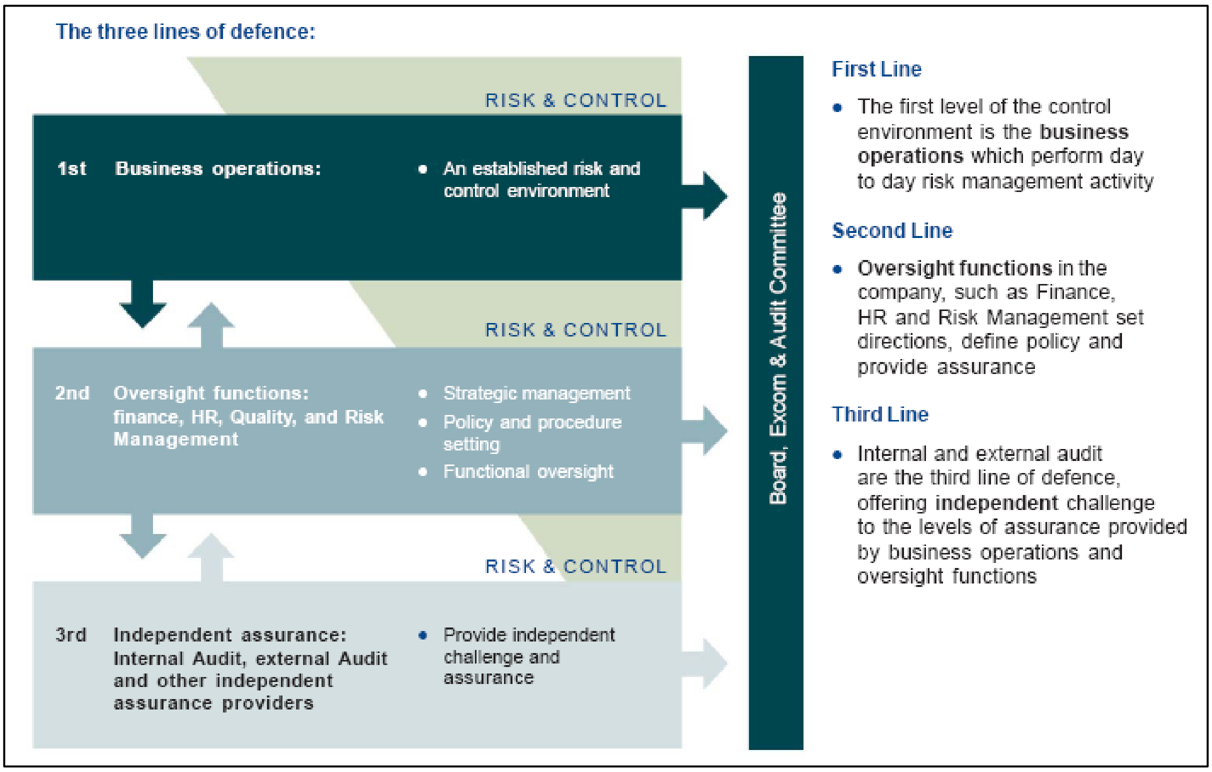
Undertake full reviews of the Council's Principal Risk Register and approach and update accordingly and present any revisions to EMT, Audit Committee, Cabinet and Council for endorsement.

Use a range of resources to analyse management information to support recommendations for improvements to risk management policies and procedures.

# 5. Corporate Responsibility – The Three Lines of Defence

The three lines of defence concept is widely known among the insurance, audit and banking sectors as a risk governance framework. The concept can be used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective risk management, governance and assurance.

The following table is an example of the three lines of defence concept:




### First line of defence

As the first line of defence, Service/Senior Managers own and manage risks within their service area. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses. Policies and procedures support Service/Senior Managers in setting best practice in their areas of responsibility. In addition, they report any perceived new and/or emerging risks or, failure of control measures to their Strategic or Assistant Director.

Service/Senior Managers are also responsible for maintaining effective internal controls and managing risk on a day-to-day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the Council's aims and objectives.

### Second line of defence

The second line of defence relates to the strategic direction, policies and procedures provided by the Council's corporate functions (e.g. Finance, Legal Services, Procurement and HR). These teams are responsible for defining policies, setting direction, ensuring compliance and providing assurance.

Each department will have members of staff that belong to professional bodies, for example ACCA, which gives assurances that these corporate functions focus on delivering best practice for the council.

### Third line of defence

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The aim of the Internal Audit work programme is to provide assurance to management, in relation to the business activities, systems or processes under review that the framework of internal control, risk management and governance is appropriate and operating effectively; and risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

Such risks are identified through senior management liaison and Internal Audit's own assessment of risk. inspectors and regulators also provide assurance on the management of risk and delivery of objectives.

External Audit provide an independent review of the Council's Annual Financial Report, including the Annual Governance Statement.  They provide overall assurance on the accuracy of the Council's financial reporting, and provide commentary on keys areas, such as Value for Money.

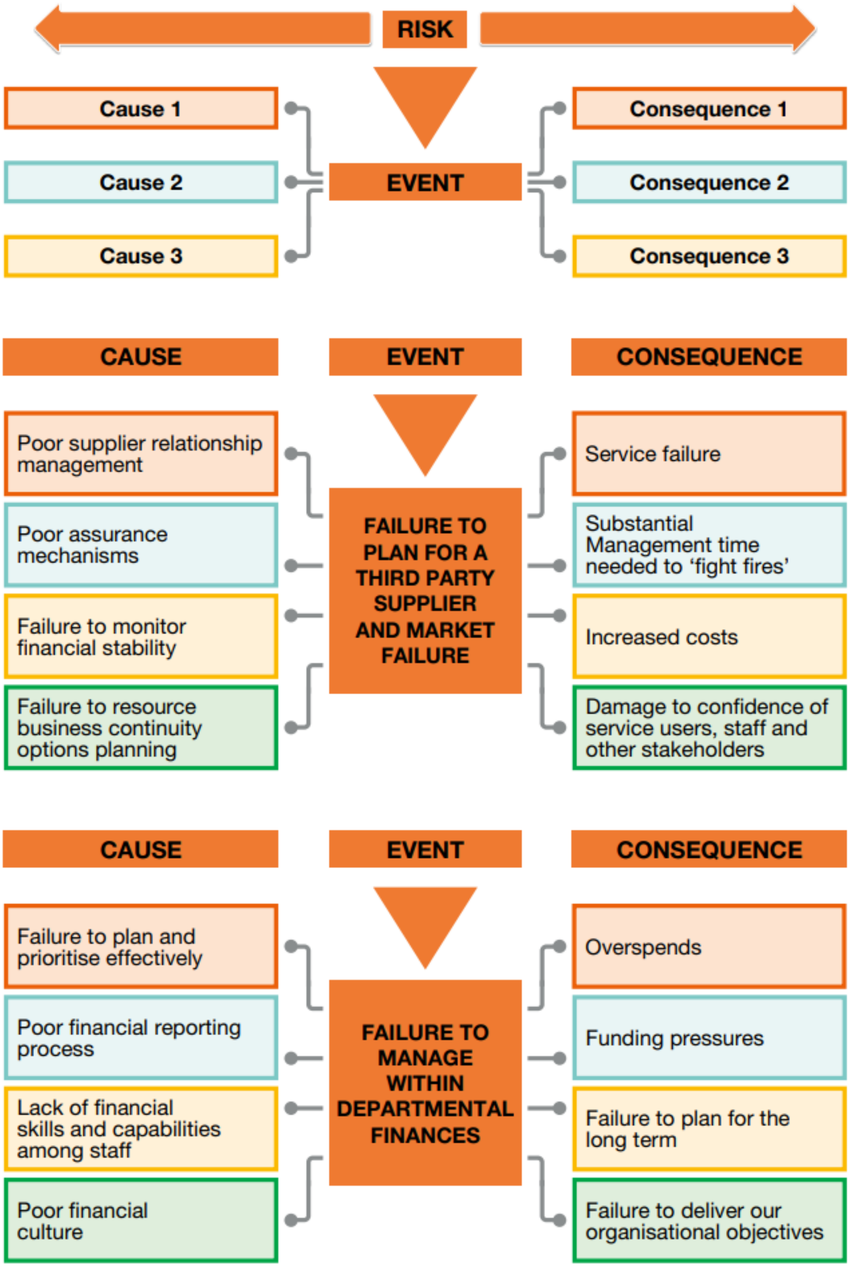
### Audit Committee

The Committee is tasked with overseeing the financial affairs of the Council. Its responsibilities include reviewing the Council's accounts and overseeing both internal and external audit activities. Additionally, the Committee monitors the development and implementation of risk management and governance policies within the Council, as well as policies related to whistle-blowing, anti-fraud, corruption, and bribery. It also oversees Treasury Management activities, approves the Council's Annual Governance Statement, and ensures compliance with various published standards and controls.

# 5. How do we identify risks?

The Bow Tie Risk Analysis is a professional risk management tool designed to visualise and manage risks effectively. The diagram consists of a central risk event, with potential causes illustrated on the left and consequences on the right, resembling a bow tie. Preventive controls are identified alongside the causes, while mitigating controls accompany the consequences.

In risk management, "controls" are measures implemented to reduce the likelihood of a risk occurring or to minimise its impact when it does, and they can be classified as preventive, or corrective. Conversely, "mitigating controls" are specifically designed to address and reduce the severity of identified risks after they have been assessed. While all mitigating controls are a subset of controls, their primary focus is on reactive measures, such as insurance policies or emergency response plans, aimed at lessening the consequences of potential incidents.



# 6. How Do We Evaluate Risks?

The Council evaluates its identified risks on a four-point scale on the likelihood or probability of the risk occurring and the impact caused should the risk occur being rated between low and significant.

A risk matrix is a key tool used to analyse the likelihood and impact of a risk. The Council uses a 4X4 risk matrix, with the score determined by multiplying the 'likelihood' score with the 'impact' score.

Scoring risks allows them to be compared with other risks and enables risk owners to prioritise and allocate more resources to those risks posing the greatest threat to the Council's objectives.

The Council has chosen to divide the rating into RAG bands as shown on the example risk map below:

| | IMPACT | | | |
|---|---|---|---|---|
| | Low (1) | Moderate (2) | Major (3) | Significant (4) |
| Highly Likely (4) | 4 | 8 | 12 | 16 |
| Likely (3) | 3 | 6 | 9 | 12 |
| Unlikely (2) | 2 | 4 | 6 | 8 |
| Highly Unlikely (1) | 1 | 2 | 3 | 4 |

**Impact Rating**

The following table provides the definitions which should be used when determining whether a risk would have a Low, Moderate, Major or Significant impact.

Impact is defined as the impact to the organisation should the risk materialise.

Each potential risk area should be considered and the highest impact scored should be the score (1-4) that is used to define the overall impact score.

| | Low (1) | Moderate (2) | Major (3) | Significant (4) |
|---|---|---|---|---|
| Financial | Less than £20,000 | £20,000 or over and less than £130,000 | £130,000 or over and less than £500,000 | £500,000 plus |
| Service Provision | Minor effect | Slightly reduced | Service suspended short term/reduced | Service suspended long term<br><br>Statutory duties not delivered |
| Health and Safety | Minor Injury | Broken bones/illness<br><br>Lost time, accident or occupational ill health | Loss of life/major illness – major injury incl broken limbs/hospital admittance. Major ill health | Major loss of life/large scale major illness |
| Morale | No effect | Some hostile relationship and minor non cooperation | Industrial action | Mass staff leaving/unable to attract staff |
| Reputation | No media attention / minor letters | Adverse local media | Adverse national publicity | Remembered for years |
| Government Relations | One off single complaint | Poor assessment(s) | Service taken over temporarily | Service taken over permanently |

**Likelihood Rating**

Likelihood is the chance of a risk materialising.

It is unlikely that in many cases the probability of a risk occurring can be calculated in a statistically robust manner, the following table can however be used as a guide to inform the judgement made:

| Likelihood | Probability |
|---|---|
| Highly Unlikely (1) | 0% to 10% chance of occurring |
| Unlikely (2) | 11% to 40% chance of occurring |
| Likely (3) | 41% to 70% chance of occurring |
| Highly Likely (4) | 71% to 100% chance of occurring |

Principal risks are typically viewed from a broader perspective, providing an overview of the most significant risks that could impact the council's strategic objectives, while service risk registers focus on specific risks associated with individual services or functions. To ensure alignment between these two approaches, a reference to the Principal Risk Register will be included within each service risk register, fostering a comprehensive risk management framework that consistently monitors and addresses key risks at both the strategic and operational levels. In this context, the inherent risk score represents the level of risk in a situation before any controls are applied, whereas the residual risk score indicates the risk that remains after mitigation measures have been implemented.

# 7. How We Respond To Risks?

Once a risk has been identified, the Council need to decide and agree what it is going to do about it. The recognised approaches to controlling risks are described as the five key elements or 5 T's; Tolerate, Treat, Transfer, Terminate and Take the opportunity. These are described in more detail below.  It is generally accepted that where a risk can be reduced through some form of treatment or mitigation in a cost-effective fashion then it is good to do so.

As a general principal once a risk has been identified, consideration needs to be given to the five T's and that the chosen approach is seen as being cost-effective so that the control of the risk is not disproportionate to the expected benefits.

**The five T's are:**

**Treatment** By far the greatest number of risks will be addressed in this way by using appropriate control counter measures to constrain the risk or reduce the impact or likelihood to acceptable levels.  Examples include strategy, process, people or systems' improvement.

**Transfer** For some risks the best response may be to transfer them and this might be done by transferring the risk to another party to bear or share the risk: e.g. through insurance, contracting or entering into a partnership. Risk can never be fully transferred.

**Tolerate** Where it is not possible to transfer or treat the risk, consideration needs to be given to how the consequences are managed should they occur.  This may require having contingency plans in place, for example, Business Continuity Plans which create capacity to tolerate risk to a certain degree.

**Terminate** Some risks will only be treatable, or containable to acceptable levels by terminating the activity that created them. It should be noted that the option of termination of activities may be severely limited in local government when compared to the private sector; a number of activities are conducted in the local government sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved. This option can be particularly important in project management if it becomes clear that the projected cost/benefit relationship is in jeopardy.

**Take the Opportunity** This option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats; an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages? The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resources which can be re-deployed.

The council would ideally prefer not to accept a level of risk that is considered excessively high, as it could jeopardise the safety and well-being of our community, as well as our financial stability and operational effectiveness. Consequently, we are committed to implementing measures to reduce or manage these risks effectively. However, we must acknowledge that there are certain circumstances or unique situations wherein our ability to mitigate risks may be limited, leaving us with few options to address the inherent challenges involved.

# 8. Risk Reporting

Risk management is a dynamic process, and it is vital that Dashboards are kept up to date.

New risks will be identified, and some will be managed and removed. Risks need to be reviewed and reported upon to identify if risks are changing and their impact on the Council's objectives and to gain assurance that risk management is effective. The assessment of likelihood and impact levels for existing risks/opportunities will need to be updated to take into account the management actions undertaken, and contingency arrangements will need to be reviewed in response to changing internal and/or external events.

Regular Review of Service Risk Registers and the Principal Risk Register are to be undertaken considering the following points:

- Does the current risk score reflect the risk's likelihood and impact at this point in time?
- Is the control environment still sufficient?
- Are the identified controls effective?
- Are there any assurances that can be provided to validate the controls effectiveness levels?
- Is the information shared with officers and are they amending and refining their actions in light of any changes?

Each service area is required to maintain a Service Risk Register, which serves as a comprehensive tool for documenting and managing risks from a service perspective, facilitating the effective delivery of their service plans. Every three months, the Insurance and Risk Officer will ask Service and Senior Managers to review their respective risks. It is the responsibility of these managers to ensure that any necessary updates are completed on their Service Risk Registers by the specified deadline. This review process will also identify any risks that need to be escalated to the Principal Risk Register for oversight by the Executive Management Team (EMT). Additionally, urgent issues identified outside of the regular reporting cycles must be reported immediately by the service areas to the EMT for prompt attention.

The Executive Management Team (EMT) will conduct a review of the Principal Risk Register, determining whether to add or remove risks as necessary. The Principal Risk Register will be formally updated every six months. Additionally, there will be a quarterly review every three months, and any material issues that arise will be reported to EMT. This process ensures that actions regarding the principal risks are thoroughly evaluated. Following their review every six months, EMT will recommend the findings (report produced by Insurance and Risk Officer) to Audit Committee and the Cabinet before submitting them to the Council for approval. This approach establishes a focused and strategic method for risk mitigation while effectively capitalising on opportunities as they arise.

Historic versions of Service Risk Registers and Principal Risk Registers will be archived with every revision. If there is a business need to review these documents, they will be maintained in accordance with the council's Corporate Retention and Destruction Policy.

# 9. Document history

| | |
|---|---|
| **Name of policy** | Risk Management Policy |
| **Purpose of policy** | Key stakeholders must understand their role or responsibilities within the risk management process, and how risk should be managed across the Council. |
| **Policy applies** | Corporately |
| **First issued** | 2022 |
| **Latest update** | 2025 |
| **Update overview** | Reworded risk management statement<br><br>Section 3 added for Risk Appetite<br><br>Updated the wording to section 4 which referenced dashboards and anything considered out of date.<br><br>Three lines of defence diagram updated.<br><br>Added a diagram for Stating risks: causes, events and consequences within section 5<br><br>Added a paragraph to section 6, this is identical to the one used in the Risk Appetite Statement.<br><br>Added two paragraphs explaining current arrangements for risk reporting.<br><br>All text has been updated to Verdana Pro and Verdana in line with the agreed corporate format. |

# 10. Definitions

| Term | Definition |
|---|---|
| RAG Bands | Red, Amber or Green – Categories of Risk Ratings |
| EMT | Executive Management Team |
| PR | Principle Risks |

New Forest District
Council
Appletree Court, Beaulieu Road, Lyndhurst, Hampshire, SO43 7PA

newforestdc newforestgov newforestcouncil

**newforest.gov.uk**

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For people, place and prosperity

# Principal Risk Register 2024 - 2028 • January 2025

New Forest DISTRICT COUNCIL

APPENDIX 2

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| **Operations** | | | | | | | |
| PR1 | Cyber Security | Transformation Priority 4: Designing modern and innovative services | Strategic Director Corporate Resources & Transformation Section 151 Officer | High | 12 | Malicious attack results in significant loss of sensitive data and/or significant disruption to Council operations | The Council continues to respond to the increasing cyber threat by completing a programme of work coordinated by its consulting Chief Information Security Officer, with a view to achieving external accreditation in due course. |
| PR2 | Emergency Planning | Transformation Priority 4: Designing modern and innovative services | Strategic Director – Housing & Communities | Medium | 6 | An inadequate emergency planning response violates the Council's obligations under the Civil Contingencies Act and undermines both responsibilities and effective results. | The Council is collaborating with the Hampshire Resilience Forum to ensure effective preparedness for response, along with other partners at both national and local levels. Starting in April, we will establish a new relationship with Southampton as we transition away from Hampshire County Council (HCC), which will lead to the introduction of a new role. Currently, the Local Resilience Forum (LRF) is not functioning as intended, and we are engaging with MP's and external parties. |

# Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR3 | Homelessness | People Priority 3: Meeting housing needs | Strategic Director – Housing & Communities | Medium | 6 | Inability to fulfil our legal obligations to the homeless (and/or to utilise our statutory authority to assist them) in a timely, effective, and efficient manner could negatively affect our financial position. This poses health and safety risks related to homelessness, as well as reputational risks, and could lead to another increase in homelessness. | To address the extraordinary demand, urgent efforts are being made to increase temporary accommodation options, while medium-term plans outlined in the Housing strategy are in progress. Funding has been increased. |

# Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR4 | Hampshire County Council - Political Environment | All | Chief Executive | Medium | 6 | Hampshire County Council elections scheduled for May 2025 could have a substantial impact on the New Forest District Council by changing the political balance and shifting funding priorities. A change in leadership might result in decreased support for vital services such as transportation and education. Furthermore, differing political agendas could impede collaboration with the county, affecting community involvement and potentially leading to a breakdown in services for our residents. There is a possibility that these elections may be postponed until May 2026. | NFDC is part of a wider Hampshire elections planning group and have also set up internal elections planning should the May elections proceed.<br>There may be other elections such as the Mayoral election in 26, and possible byelections as a consequence of a deferral of the HCC elections so resources will still be required.<br>In terms of service changes, HCC will need to set a balanced budget and officers will engage with any service change proposals that impact New Forest residents. |

## Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR5 | Business Continuity | All | Strategic Director – Housing & Communities | | 12 | Ineffective business continuity response enables an event to seriously disrupt Council operations | The Council acknowledges a resource shortfall and will conduct a review of its business continuity arrangements in 2025. This review will focus on adapting to changes in working patterns and the digital environment, as well as emphasising operational resilience rather than responding to specific events. The Council is well positioned to respond effectively. |
| **Legal & Regulatory** | | | | | | | |
| PR6 | Health and Safety | People Priority 2: Empowering our residents to live healthy, connected and fulfilling lives | Chief Executive | Medium | 8 | A serious health and safety incident occurs | Implementation of the Council's H&S management system, including proactive monitoring arrangements and competent external advice overseen by the Corporate Health and Safety function. |
| PR7 | Information Governance | All | Assistant Director Governance & Monitoring Officer | Medium | 8 | A serious data breach occurs and/or other significant instance of non-compliance with data legislation | Implementation of the Council's GDPR action plan continues overseen by the Council's Data Protection Officer and supported by the Information Governance team. |

New Forest DISTRICT COUNCIL

For people, place and prosperity

# Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR8 | Safeguarding | People Priority 1: Helping those in our community with the greatest need | Strategic Director – Housing & Communities | Medium | 6 | A safeguarding incident occurs which, through action or omission by the Council, might otherwise have been prevented | Under the supervision of the Hampshire Safeguarding Boards, the Community Safety Team remains engaged in safeguarding issues, supported by Designated Safeguarding Reporting Officers (DSROs). They implement effective processes and training programs in housing, ensuring a comprehensive approach to safeguarding measures. |
| PR9 | Legal & Governance | All | Assistant Director Governance & Monitoring Officer | Medium | 6 | Legal & governance activity takes place which is not in the best interests of the Council and its stakeholders and/or is in breach of legislation | Legal and governance processes are enhancing. However, some residual risks remain. We make it a priority to seek appropriate specialist legal advice when necessary, staying aware of when it’s needed. |
| PR10 | Local Government Reform / Devolution | All | Chief Executive | High | 12 | The publication of the 'white paper'. We will work closely with our local authority partners to carry out specific actions and make sure our internal communications remain clear and effective. | It is anticipated that extensive programme management will take place, and the Government have outlined that they will be undertaking consultation and NFDC will be invited to respond. There is financial provision being proposed to support the work that will follow. |

## Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR11 | Social Housing Regulatory Compliance | People Priority 3 – meeting Housing Needs | Strategic Director – Housing & Communities | Medium | 6 | Self-referral to Regulator of Social Housing.<br>Non-compliant Inspection grading<br>Reputational damage.<br>Fine.<br>H&S incident.<br>Complaints and Disrepair claims. | Consumer Standard Gap Analysis and Action plan, Performance monitoring, Policy and Strategy reviews, reporting to EMT, Scrutiny Panel, Cabinet and Council.<br>Tenant Engagement and Scrutiny |
| **Financial** | | | | | | | |
| PR12 | Income and Financial Position | Transformation Priority 3: Being financially responsible | Strategic Director Corporate Resources & Transformation Section 151 Officer | Medium | 6 | Income volatility / poor finance settlement / extreme event causing significant financial challenge | With the transformation program in progress and ongoing reviews of the MTFP, the council is fully committed to ensuring both immediate and future financial stability. |

# Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR13 | Fraud | Transformation Priority 3: Being financially responsible | Strategic Director Corporate Resources & Transformation Section 151 Officer | High | 9 | While the risk of internal fraud is low, the potential for external fraud remains a significant concern. This underscores the necessity for the Council to prioritise external fraud prevention strategies, ensuring that safeguards are in place to protect against outside threats and vulnerabilities. Lessons learned emphasise the importance of vigilance and proactive measures to mitigate these external risks effectively. | The Council's approach is set out in the Anti-Fraud and Corruption Strategy supported by an action plan overseen by Internal Audit & the Executive Management Team |

## Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR14 | Procurement | Transformation Priority 3: Being financially responsible | Strategic Director Corporate Resources & Transformation Section 151 Officer | Medium | 6 | Procurement activity takes place which is not in the best interests of the Council and its stakeholders and/or is in breach of legislation | Central procurement processes have become more agile and resilient, and contract oversight is enhancing. However, some residual risk remains with the Services. It is essential to initiate contract management and tender processes well in advance. |
| **Major Projects** | | | | | | | |
| PR15 | Hardley Depot | Place Priority 1: Shaping our place now and for future generations | Strategic Director Corporate Resources & Transformation Section 151 Officer | Medium | 6 | The new depot has not been completed within the required timeframe and is not operationally available. | The short-term financial exposure is increasing as the programme progresses. |

New Forest District Council

# Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR16 | Waste Strategy Implementation | Place Priority 3: Caring for our facilities, neighbourhoods and open spaces in a modern and responsive way | Strategic Director of Place, Operations and Sustainability | Medium | 8 | The ineffective transition from black plastic bags to waste bins can lead to significant operational impacts, including increased littering and improper bin usage, which may drive up disposal costs and create health hazards. Additionally, these issues can lead to potential legal repercussions and loss of funding. The reputational risks associated with a failed transition may strain community trust in the Council and heighten operational challenges. | An effective communication strategy is essential for informing the community and facilitating the successful implementation of the new waste management system. It is important for members to engage more broadly with the community regarding this significant service change. |

New Forest DISTRICT COUNCIL

## Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR17 | Transformation Programme | Transformation Priority 4: Designing modern and innovative services | Strategic Director Corporate Resources & Transformation Section 151 Officer | Medium | 8 | Effective development and delivery of our digital and people strategies is crucial for achieving our Corporate Plan goals. Failure to implement these initiatives properly may create a disconnect between our strategic objectives and daily operations, hindering efficiency and overall performance. Alignment among stakeholders is essential to prevent misalignment. | Programme governance embedded and regular Cllr oversight through the Resources and Transformation O&S panel. Need to stay mindful of LGR context and take proportionate action based on this medium-term outlook. |

**Principal Risk Register 2024 - 2028 • January 2025**

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| PR18 | Planning and regulatory system upgrade | Transformation Priority 4: Designing modern and innovative | Strategic Director Corporate Resources & Transformation Section 151 Officer | Medium | 8 | The planning system may face challenges and potential failures without effective management. This underscores the importance of utilising dependable planning software to promote efficient processes and successful project outcomes, which could also impact the transformation program and regulatory services. | Terms agreed upon for the regulatory planning system and contractual assistance regarding the present situation. |

## Principal Risk Register 2024 - 2028 • January 2025

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| **Reputation** | | | | | | | |
| PR19 | Climate and Ecological Emergency | Place Priority 2: Protecting our climate, coast, and natural world | Strategic Director of Place, Operations and Sustainability | Medium | 6 | The Council is making efforts to address climate change-related challenges, such as promoting biodiversity, improving waste management, and implementing sustainable development practices, but there is still more work to be done to fully meet the demands of our unique environment and community. | Implementation of the Council's Climate and Ecological Emergency Action Plan continues. |

| Ref | Risk Title | Corporate Plan Theme | Risk Owner | Current Risk Rating | Risk Score | Risk Event | Overview and Mitigation |
|---|---|---|---|---|---|---|---|
| **People** | | | | | | | |
| PR20 | Working practices | Transformation Priority 2: Being an employer of choice | | High | 12 | With a large in-house workforce providing such a variety of diverse services, application of local working practices in comparison to standard terms and conditions could result in inconsistencies across the workforce | A thorough staff consultation has been undertaken recently in Waste Services to advise of proposed terms and conditions changes in readiness for the new waste service. A recent review of Essential User Allowances has also recently been undertaken and is nearing conclusion. |

**Note:**

Categories

Must be assigned to either:

- Financial
- Legal & Regulatory
- Major Projects
- Operations
- People
- Reputation

Theme:

| People Priorities | Code |
|---|---|
| Priority 1: Helping those in our community with the greatest need | PE1 |
| Priority 2: Empowering our residents to live healthy, connected and fulfilling lives | PE2 |
| Priority 3: Meeting housing needs | PE3 |
| **Place Priorities** | |
| Priority 1: Shaping our place now and for future generation | PL1 |
| Priority 2: Protecting our climate, coast, and natural world | PL2 |
| Priority 3: Caring for our facilities, neighbourhoods, and open spaces in a modern & responsive way | PL3 |
| **Prosperity Priorities Code** | |
| Priority 1: Maximising the benefits of inclusive economic growth and investment | PR1 |
| Priority 2: Supporting our high-quality business base and | PR2 |

| | |
|---|---|
| economic centres to thrive and grow | |
| Priority 3: Championing skills and access to job opportunities | PR3 |
| **Transformation Priorities** | |
| Putting our customers at the heart | PT1 |
| Being an employer of choice | PT2 |
| Being financially responsible | PT3 |
| Designing modern and innovative services | PT4 |

Risk owner

Must be assigned to either:

- Chief Executive
- Strategic Director
- Statutory Officer



Current Risk Rating / Risk Score

| Risk Score | Risk Level |
|---|---|
| **9-16** | **High Risk** |
| **4-8** | **Medium Risk** |
| **1-4** | **Low Risk** |

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# AUDIT COMMITTEE

# WORK PROGRAMME 2025/2026

| ITEM | METHOD | LEAD OFFICER |
|---|---|---|
| **21 MARCH 2025** | | |
| Internal Audit Progress Report 2024/25 | Written Report | Antony Harvey<br>(Internal Audit) |
| Housing Benefit Subsidy review update from KPMG | Written Report | Ryan Stevens / KPMG |
| Fraud, Anti Bribery, Corruption and Whistleblowing policies review documents | Written Report | Ryan Stevens |
| Procurement Contract Standing Orders, Breaches & Waivers 2024/5 | Written Report | Tanya Coulter / Josie West |
| Internal Audit Charter 2025/26 | Written Report | Antony Harvey<br>(Internal Audit) |
| Internal Audit Plan 2025/26 | Written Report | Antony Harvey<br>(Internal Audit) |
| External Audit Plan 2024/25 | Written Report | Simon Mathers<br>Katie Lean<br>(External Audit) |
| Payment Card Industry Data Security Standard (PCI DSS) Update | Written Report | Alan Bethune<br>Naomi Baxter<br>Lisa Conway |
| Financial Regulations Review | Written Report | Alan Bethune |
| Regulation of Investigatory Powers Act 2000 – Annual Update | Written Report | Tanya Coulter |
| **27 JUNE 2025** | | |

# AUDIT COMMITTEE

# WORK PROGRAMME 2025/2026

| ITEM | METHOD | LEAD OFFICER |
|---|---|---|
| Draft Annual Financial Report 2024/25 | Written Report | Alan Bethune |
| Draft Annual Governance Statement 2024/25 | Written Report | Alan Bethune<br>Tanya Coulter |
| Treasury Management Outturn Report 2024/25 | Written Report | Gemma Farley<br>Andrew Boutflower<br>(HCC) |
| Internal Audit Annual Report and Opinion 2024/25 | Written Report | Antony Harvey<br>(Internal Audit) |
| Internal Audit Progress Report 2025/26 | Written Report | Antony Harvey<br>(Internal Audit) |
| **31 OCTOBER 2025** | | |
| Internal Audit Progress Report 2025/26 | Written Report | Antony Harvey<br>(Internal Audit) |
| Treasury Management Mid – Year Report 2025/26 | Written Report | Gemma Farley<br>Andrew Boutflower<br>(HCC) |
| **23 JANUARY 2026** | | |
| External Audit Results Report 2024/25 | Written Report | Simon Mathers<br>Katie Lean<br>(External Audit) |
| Final Annual Financial Report 2024/25 | Written Report | Alan Bethune |

# AUDIT COMMITTEE

# WORK PROGRAMME 2025/2026

| ITEM | METHOD | LEAD OFFICER |
|---|---|---|
| Annual Governance Statement 2024/25 | Written Report | Alan Bethune<br>Tanya Coulter |
| Internal Audit Progress Report 2025/26 | Written Report | Antony Harvey<br>(Internal Audit) |
| Treasury Management Strategy 2026/27 (Including Prudential Indicators) | Written Report | Gemma Farley<br>Andrew Boutflower<br>(HCC) |
| **27 MARCH 2026** | | |
| Internal Audit Progress Report 2025/26 | Written Report | Antony Harvey<br>(Internal Audit) |
| Internal Audit Charter 2026/27 | Written Report | Antony Harvey<br>(Internal Audit) |
| Internal Audit Plan 2026/27 | Written Report | Antony Harvey<br>(Internal Audit) |
| External Audit Plan 2025/26 | Written Report | Simon Mathers<br>Katie Lean<br>(External Audit) |

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