

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 27 JUNE 2025 AT 10.00 AM

Place: COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYNTHURST, SO43 7PA

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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, 24 June 2025.

Kate Ryan
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
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AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 21 March and 12 May 2025 as a correct record.

2. 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.

3. PUBLIC PARTICIPATION

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

4. TREASURY MANAGEMENT OUTTURN REPORT 2024/25 (Pages 5 - 30)

To receive the Treasury Management Outturn report for 2024/25.

5. EXTERNAL AUDIT PLAN 2024/25 (Pages 31 - 74)

To receive the External Audit Plan for 2024/25.

6. ANNUAL INTERNAL AUDIT CONCLUSION REPORT 2024/25 (Pages 75 - 98)

To consider the Annual Internal Audit Conclusion 2024/25 report.

7. PROGRESS UPDATE OF OUTSTANDING MANAGEMENT ACTIONS JUNE 2025 (Pages 99 - 118)

To consider the progress update on outstanding management actions.

8. CODE OF GOOD GOVERNANCE REVIEW - ANNUAL REPORT OF THE MONITORING OFFICER AND CHIEF FINANCE OFFICER IN RESPECT OF 2024/25 (Pages 119 - 134)

To consider the Code of Good Governance Review for 2024/25.

9. DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25 (Pages 135 - 152)

To consider the draft Annual Governance Statement for 2024/25.

10. ANNUAL FRAUD REPORT 2024/25 (Pages 153 - 160)

To receive the annual fraud report for 2024/25.

11. ANNUAL REPORT OF BAD DEBTS AND WRITE-OFFS (Pages 161 - 170)

To receive the bad debt and write offs report for 2024/25.

- 12. DRAFT ANNUAL FINANCIAL REPORT 2024/25** (Pages 171 - 192)
To consider the draft Annual Financial Report for 2024/25.
- 13. PROCUREMENT CONTRACT STANDING ORDERS, BREACHES & WAIVERS 2024/25** (Pages 193 - 210)
To consider the breaches and waivers of the Procurement Contract Standing Orders, for 2024/25.
- 14. PRINCIPAL RISK REGISTER REVIEW** (Pages 211 - 246)
To consider the review of the Principal Risk Register.
- 15. ANTI-MONEY LAUNDERING POLICY REVIEW** (Pages 247 - 266)
To consider the updated Anti-Money Laundering Policy following review.
- 16. PAYMENT CARD INDUSTRY DATA SECURITY STANDARD (PCI DSS) UPDATE** (Pages 267 - 272)
To consider an update on the Payment Card Industry Data Security Standard (PCI DSS).
- 17. AUDIT COMMITTEE WORK PLAN** (Pages 273 - 274)
To consider the Audit Committee's Work Plan.
- 18. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

To:

Councillors

Alan Alvey (Chairman)
John Adams (Vice-Chairman)
Kate Crisell
Jacqui England
Alan O'Sullivan

Councillors

Caroline Rackham
Janet Richards
Malcolm Wade
Richard Young

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Audit Committee – 27 June 2025

Treasury Management Outturn Report 2024/25

Purpose	For Review
Classification	Public
Executive Summary	The Treasury Management Outturn Report sets out the Council's treasury activity in 2024/25, incorporating any borrowing and investment decisions made and compliance with the treasury management prudential indicators and relevant legislation and guidance.
Recommendation(s)	<p>It is recommended that Audit Committee:</p> <p>1) Approves the Treasury Management Outturn Report.</p> <p>2) Notes the treasury activity in 2024/25 as laid out in the report, including compliance with both the treasury management prudential indicators and relevant legislation and guidance.</p>
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, the Council is required to approve, as a minimum, treasury management semi-annual and annual outturn reports. This includes the requirement in the CIPFA Treasury Management Code 2021, mandatory from April 2023, of reporting of the treasury management prudential indicators. 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	Daniel O'Rourke Corporate Accountant, Hampshire County Council 0370 779 1728 Daniel.O'Rourke@hants.gov.uk

Introduction and background

1. The Treasury Management Outturn Report is a high-level document, giving an overview of how the Council has managed its cash balances and its associated investments and borrowing over the course of the financial year.
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, as well as treasury management semi-annual and annual outturn reports. This includes the requirement in the CIPFA Treasury Management Code 2021, mandatory from April 2023, of reporting of the treasury management prudential indicators. 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.

Corporate plan priorities

5. 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

6. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer believes that the Treasury Management Strategy approved in February 2025 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

7. This report has been produced in consultation with Hampshire County Council's Investments & Borrowing team.
8. In November 2024 several members attended the annual treasury management briefing session provided by the Council's treasury advisors Arlingclose.

Financial and resource implications

9. 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.
10. This is a financial report with any additional implications already detailed and considered in the main body of the report and appendices.

Legal implications

11. 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, as well as treasury management semi-annual and annual outturn reports. This includes the requirement in the CIPFA Treasury Management Code 2021, mandatory from April 2023, of reporting of the treasury management prudential indicators. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
12. The Council's Treasury Management Strategy Statement, approved in February 2025, follows the latest codes of practice and the MHCLG and CIPFA guidance.
13. 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

14. There are no environmental implications arising directly from this report.

Equalities implications

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

Crime and disorder implications

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

Data protection / information governance / ICT implications

17. There are no data protection, information governance or ICT implications arising directly from this report

Appendices:

Appendix 1 – Treasury
Management Outturn Report
2024/25

Background Papers:

Treasury Management
Strategy 2025/26 – 2027/28

Treasury Management
Strategy 2024/25 – 2026/27

Treasury Management Outturn
Report 2023-24

Treasury Management Mid-
Year Report 2024-25

TREASURY MANAGEMENT OUTTURN REPORT 2024/25

1. PURPOSE AND SUMMARY

- 1.1. New Forest District Council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Treasury Management Code), last updated in 2021. The CIPFA Treasury Management Code requires the Council to approve a treasury management strategy before the start of the year and a semi-annual and annual treasury outturn report. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during 2024/25.
- 1.2. The Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2025. 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 risk are therefore central to the Council's treasury management strategy.
- 1.3. All treasury activity has complied with the Council's Treasury Management Strategy and Investment Strategy for 2024/25, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the Council's treasury advisers, Arlingclose.
- 1.4. In compliance with its duties to determine affordable borrowing limit, local authorities must have regard to CIPFA's Prudential Code of Capital Finance in Local Authorities (the Prudential Code) which includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council in February 2025.

2. EXTERNAL CONTEXT

- 1.5. The following paragraphs explain the economic and financial background against which investment and borrowing decisions were made in the final quarter of 2024/25.

Economic background

- 1.6. Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.
- 1.7. The Bank of England's (BoE) Monetary Policy Committee (MPC) voted to lower Bank Rate by 0.25% to 4.25% at its May 2025 meeting, having held it at 4.5% in March 2025. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak.
- 1.8. Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would continue to fall, down to around 3.75% by the end of 2025.

Financial markets

- 1.9. Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased, and bond yields started to fall following the peak in January 2025, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment

and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

- 1.10. The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit review

- 1.11. In October 2024, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions was kept to a maximum of 100 days. This advice remained in place at the end of the period.
- 1.12. Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. Prices generally trended lower over the period but did start to rise modestly in March 2025, but not to any levels considered concerning. Once again, price volatility over the period remained generally more muted compared to previous periods.
- 1.13. Heightened market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

3. LOCAL CONTEXT

- 1.14. At 31 March 2025, the Council had net investments of £34.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) as it is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income, while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 2.

Table 2: Balance Sheet Summary and Forecast	31/3/24 Balance £m	Movement £m	31/3/25 Balance £m
General Fund CFR	26.4	0.9	27.3
Housing Revenue Account CFR	19.8	7.6	27.4
HRA Settlement	114.0	(4.1)	109.9
Total CFR	160.2	4.4	164.6
Less: Other debt liabilities*	-	-	-
Loans CFR	160.2	4.4	164.6
Less: External borrowing:			
- Public Works Loan Board	(124.1)	4.2	(119.9)
- Other Local Authorities	(0.0)	(13.2)	(13.2)
Internal borrowing	36.1	(4.6)	31.5
Less: Balance sheet resources	(68.6)	2.8	(65.8)
Net investments	(32.5)	(1.8)	(34.3)

* Other liabilities that form part of the Council's total debt

1.15. The £4.4 million net increase in the Capital Financing Requirement was principally due to loan financed expenditure of £8 million on the Housing Development Programme, offset by the repayment of £4.1 million of the maturing HRA Public Works Loan Board (PWLB) debt. New short-term external borrowing of £13 million was undertaken partly to fund the Development Programme and to manage anticipated other cash flow.

1.16. The Council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. The treasury management position at 31 March 2025 and the change during the year is shown in Table 3.

Table 3: Treasury Management Summary	31/3/24 Balance £m	Movement £m	31/3/25 Balance £m	31/3/25 Rate %
Long-term borrowing	(119.9)	4.1	(115.8)	3.52
Short-term borrowing	(4.1)	(13.0)	(17.1)	4.88
Total borrowing	(124.0)	(8.9)	(132.9)	3.69
Long-term investments	9.1	0.0	9.1	5.45
Short-term investments	10.0	(8.0)	2.0	4.43
Cash and cash equivalents	12.2	9.1	21.3	4.49
Total investments	31.3	1.1	32.4	4.76
Net treasury management borrowing	(92.7)	(7.8)	(100.5)	

Note: the figures in Table 3 are from the balance sheet in the Council's statement of accounts adjusted to exclude operational cash, market value adjustments and accrued interest, and therefore differ from Table 2.

- 1.17. The increase in net borrowing of £7.8m shown in Table 2 reflects the combination of a net increase in external borrowing of £8.9m, in line with the Council's policy on borrowing, offset by an increase in investment balances of £1.1m. Further details are provided in the Borrowing Strategy and Activity and Treasury Investments Activity sections of this report.

2. BORROWING STRATEGY AND ACTIVITY

- 2.1. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. During the majority of the period short term interest rates have been higher than long term interest rates.
- 2.2. After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase

has been in response to market concerns that policies introduced by the UK government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November 2024 is also expected to lead to inflationary trade policies.

- 2.3. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for the authority to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 2.4. At 31 March 2025 the Council held £132.9m of loans (an increase of £8.9m from 31 March 2024) as part of its strategy for funding previous years' capital programmes. The year-end treasury management borrowing position, and year-on-year change are summarised in Table 4.

Table 4: Treasury Management Summary	31/3/24 Balance £m	Net movement £m	31/3/25 Balance £m	31/3/25 Rate %	31/3/25 WAM* (years)
Public Works Loan Board	(124.0)	4.1	(119.9)	3.50	16.79
Other Local Authorities	(0.0)	(13.0)	(13.0)	5.50	0.47
Total borrowing	(124.0)	(8.9)	(132.9)	3.69	15.20

*Weighted average maturity

Note: the figures in Table 4 are from the balance sheet in the Council's statement of accounts but adjusted to exclude accrued interest.

- 2.5. In 2025/26 the Council expects to see decreasing investment balances, which have historically been used in part to fund internal borrowing. The decrease in balances is, in large part, due to increased expenditure on the capital programme.

- 2.6. In order to meet cash flow requirements, maintain sufficient liquidity and ensure cost certainty in 2024/25, the decision was made in December 2024 to borrow £13m on a short-term basis from the local authority market, at an average interest cost of 5.50%. These loans were secured in advance of a forecast cashflow deficit which was expected in the final quarter of the financial year when typically, the interest rates available in the local authority lending market are inflated by 2-3% due to demand. As the borrowing costs associated with the PWLB are currently also high, this short-term borrowing decision was made to avoid the Council being forced to accept paying high borrowing costs and so ensured cost certainty for 2024/25 into 2025/26. Any surplus was invested into the money market funds.
- 2.7. This external borrowing replaces the internal borrowing the Council was previously able to fund with its higher cash balances and has been secured on an interim basis given current high borrowing costs. By borrowing short-term, the aim is to see rates reduce sufficiently at the longer end of the curve before locking in long-term at better value. This is in keeping with the Council's borrowing strategy, the maturity profile of the existing portfolio of loans and advice received from Arlingclose.
- 2.8. This also meant that £4.1m of existing PWLB loans with an average interest cost of 2.82% which was repaid at maturity was effectively refinanced, albeit at a higher rate. This was however lower than what was offered through the local authority lending market and PWLB in March 2025.
- 2.9. This borrowing strategy has been monitored by Arlingclose and has enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

3. TREASURY INVESTMENT ACTIVITY

- 3.1. The CIPFA Treasury Management Code now defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

- 3.2. The Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances have ranged between £29.7m and £82.4m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 5.

Table 5: Treasury investment position	31/3/24 Balance £m	Net movement £m	31/3/25 Balance £m	31/3/25 Income return %	31/3/25 WAM (years)
Short term Investments					
Banks and building societies:					
Unsecured	2.0	2.2	4.2	4.37	0.00
Money Market Funds	8.2	8.9	17.1	4.52	0.00
Government:					
Local authorities	6.0	-6.0	0.0	N/A	N/A
Supranational banks	2.0	-2.0	0.0	N/A	N/A
UK Treasury Bills	2.0	-2.0	0.0	N/A	N/A
Cash plus funds	2.0	0.0	2.0	4.44	0.01
	22.2	1.1	23.3	4.49	0.00
Long term investments					
Pooled property*	7.6	0.0	7.6	5.01	N/A
Pooled equity*	1.5	0.0	1.5	7.64	N/A
	9.1	0.0	9.1	5.45	N/A
TOTAL INVESTMENTS	31.3	1.1	32.4	4.76	0.00

* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 March 2025 based on the market value of investments 12 months earlier.

Note: the figures in Table 5 are from the balance sheet in the Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

- 3.3. The CIPFA Treasury Management Code and government guidance both require the Council to invest its funds prudently, and to have regard to the security and liquidity

of its investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults alongside the risk of receiving unsuitably low investment income. The Council's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.

- 3.4. As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.
- 3.5. Bank Rate reduced from 5.25% to 5.00% in August 2024, again to 4.75% in November 2024, 4.5% in February 2025 and finally to 4.25% in May 2025 with short term interest rates largely being around these levels. The rates on money market funds ranged between 4.50% and 4.53% by the end of March 2025.
- 3.6. The Council benchmarks the performance of its internally managed investments (excluding pooled funds) against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include Money Market Funds. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 6, providing data for the quarter ended 31 March 2025 and at the same date in 2024 for comparison.

Table 6: Investment benchmarking (excluding pooled funds)	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
31.03.2024	AA-	51%	55	5.26%
31.03.2025	A+	100%	1	4.48%
Similar LAs	A+	63%	54	4.60%
All LAs	A+	64%	8	4.55%

3.7. The Council's requirement for short-term liquidity has increased over 2024/25 as underlying investment balances have reduced. As a result, Table 6 shows the average credit rating of the portfolio has weakened slightly to A+, as the increase in cash has been placed with unsecured bank accounts (AA-/A+) and money market funds. Whilst the money market funds themselves are AAA rated, for the purposes of benchmarking the underlying assets in the portfolio are examined and the credit rating of the lowest-rated instruments taken. Because these money market funds now represent a higher proportion of the Council's overall portfolio and have replaced higher-rated investments with the government and supranational banks, the average credit rating has therefore reduced. However, this average rating remains in line with other clients.

3.8. In line with the increased liquidity requirement, bail-in exposure for this portfolio has increased and the weighted average maturity has reduced. It should be noted that the Money Market Funds (MMFs) are themselves diversified and highly liquid and considered by Arlingclose to be bail-in 'light'. Whilst the rate of return has decreased over the last 12 months, this should be considered against the backdrop of several cuts to interest rates in the same period.

Externally managed pooled funds

3.9. £9.1m of the Council's investments is invested in externally managed strategic pooled equity and property funds where short-term security and liquidity are lesser

considerations, and the objectives instead are regular revenue income and long-term price stability. In 2024/25 these funds generated an average total return of 7.65%, comprising a 5.41% income return which is used to support services in year, and 2.24% of unrealised capital gain. Over the holding period (just over 10 years), the Council's investments in pooled funds have contributed 3.96% income per year on average, which compares favourably in a period where base rates have generally been low.

- 3.10. In financial markets the 2024/25 year was characterised by overall positive equity market performance, market volatility, elevated global yields, central bank interest rate cuts and uncertainties surrounding the impact of UK and European fiscal policy and particularly US President Donald Trump's tariff plans.
- 3.11. US, UK & European stock markets hit highs in early 2025 but started to decline towards the very end of the period, particularly in the US, reflecting investor concerns over escalating trade tensions and economic uncertainty. The FTSE All Share index was higher at the end of the 12-month period at 4,623 on 31 March 2025 versus 4,324 on 1 April 2024.
- 3.12. Having had a challenging time since 2022, UK commercial property generally experienced a recovery during the period, with improved investment activity, capital values stabilising or improving, particularly towards the end of the period, and income remaining relatively robust.
- 3.13. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium-to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years and with the expectation that over a three- to five-year period total returns should exceed cash interest rates.
- 3.14. Further to consultations in April 2023 and December 2024 the Ministry for Housing, Communities and Local Government (MHCLG) wrote to finance directors in England in February 2025 regarding the statutory

override on accounting for gains and losses in pooled investment funds. MHCLG confirmed that the statutory override will be extended up until 1 April 2029 for investments already in place before 1 April 2024. The override will not apply to any new investments taken out on or after 1 April 2024. It is assumed that published regulations will follow this policy announcement.

- 3.15. The Council's pooled fund investments were made prior to 1 April 2024 and therefore the Council will be able to continue to take advantage of the statutory override. This means that any unrealised gains or losses on the pooled fund investments will not be charged to the Comprehensive Income and Expenditure Statement up until 1 April 2029.
- 3.16. The Council does not plan to make any further pooled fund investments, and whilst the unrealised loss at 31 March stood at £0.67m there is no intention at this stage to crystallise that through further divestment. It should also be noted that when divestment from some of the pooled funds took place in the summer of 2023, this resulted in a realised gain of £0.26m. This was subsequently added to the Treasury Management Reserve with the intention of mitigating against potential investment losses in the future.

6. FINANCIAL IMPLICATIONS

- 3.17. The outturn for debt interest payable by the HRA in 2024/25 was £4.432m, which was £141,000 less than had been estimated. Interest payable by the General Fund was £57,260 for its share of the temporary borrowing detailed in paragraph 4.6.
- 3.18. The budget for interest payable has been increased for 2025/26, in reflection of anticipated loan financed expenditure on the capital programme, offset by the continuing principal repayments of the HRA settlement.
- 3.19. The outturn for investment income received in 2024/25 was £2.519m, on an average investment portfolio of £51.4m, therefore giving an average yield for the year of 4.9%. By comparison, investment income in 2023/24

was £2.606m on an average portfolio of £52.72m, with a yield of 4.94%.

7. NON-TREASURY INVESTMENTS

- 3.20. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 3.21. Investment Guidance issued by DLUHC (the Department of Levelling Up, Housing and Communities, now known as MHCLG) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 3.22. This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the Council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
- 3.23. The Council's existing non-treasury investments are listed in Table 7.

Table 7 – Non-treasury investments	31/03/25 Asset Value £m	31/03/25 Annual rate of return
Hythe Marina	2.946	6.48
Saxon Inn, Calmore	0.179	7.04
Meeting House Lane, Ringwood	0.213	-
New Milton Health Centre	2.489	5.51
Ampress Car Park, Lymington	1.926	4.97
The Parade Salisbury Road, Totton	1.510	5.98
Unit 1 Nova Business Park, New Milton	0.554	4.07
Drive -Thru Salisbury Road, Totton	1.405	4.71
Units 1-3 27 Salisbury Road, Totton	1.841	8.07

85 Station Road, New Milton	5.000	5.00
1b Junction Road, Totton	0.138	6.58
Unit 800 Ampress Park, Lymington	1.902	4.98
Platinum Jubilee Business Park, Ringwood	8.154	3.22
Total investment properties	28.256	4.92
Lymington Town Hall	3.271	3.46
Hardley Industrial Estate	6.388	3.54
Total income earning properties	9.659	3.51
Grand total	37.915	4.53

3.24. The Investment Property note within the Annual Financial Report gives further information on the net gains / losses and fair value movements.

8. NON-TREASURY INVESTMENTS

3.25. On 10 April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7 May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

3.26. The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

9. COMPLIANCE REPORT

3.27. The Council confirms compliance of all treasury management activities undertaken during 2024/25 with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

3.28. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 8.

Table 8: Debt limits	2024/25 Maximum £m	31/3/25 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	(137.0)	(132.9)	(214.3)	(233.3)	✓
Other long-term liabilities	0	0	0	0	✓
Total debt	(137.0)	(132.9)	(214.3)	(233.3)	✓

3.29. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, this limit was not breached during the financial year.

10. TREASURY MANAGEMENT INDICATORS

3.30. As required by the 2021 CIPFA Treasury Management Code, the Council measures and manages the following treasury management prudential indicators.

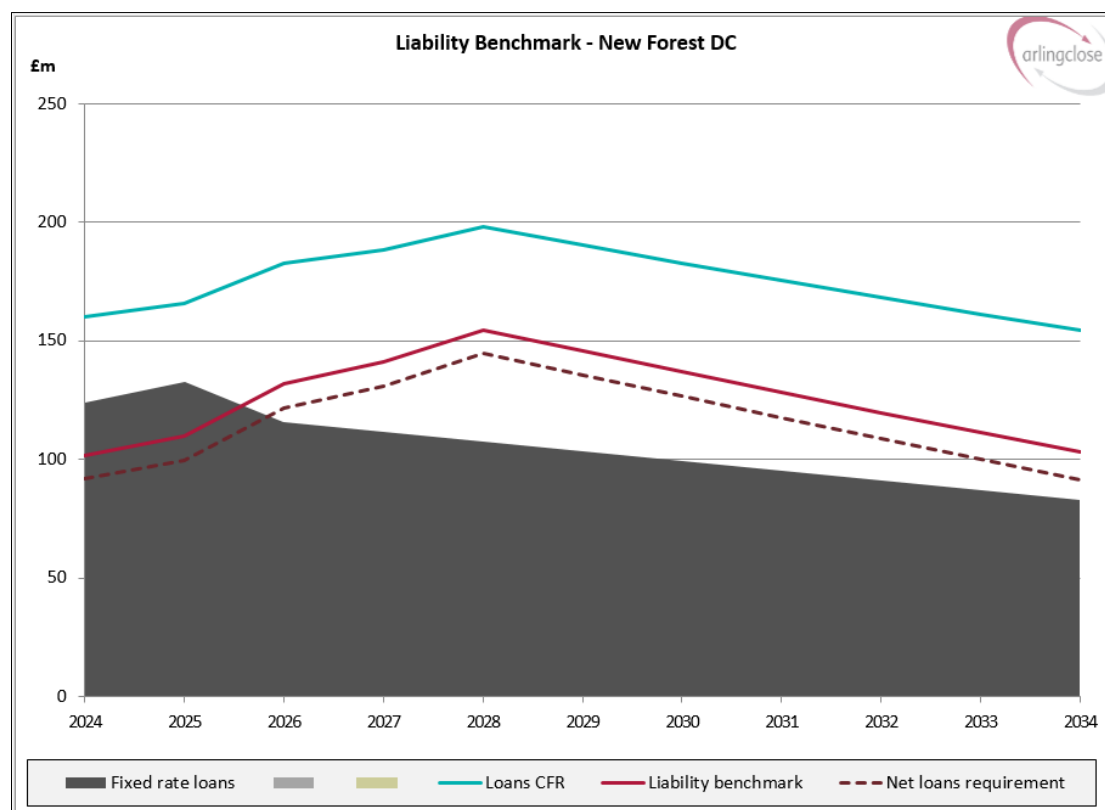
Liability benchmark

3.31. This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. 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. It 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 9: Liability benchmark	31/03/24 Actual £m	31/03/25 Estimate £m	31/03/26 Forecast £m	31/03/27 Forecast £m
Loans CFR	160.2	164.6	184.2	190.0
Less: Balance sheet resources	(68.6)	(65.8)	(60.8)	(57.5)
Net loans requirement	91.6	98.8	123.4	132.5
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	101.6	108.8	133.4	142.5
Existing borrowing	124.0	132.9	128.8	124.7

3.32. At the start of the period, 31 March 2024, the Council had a Loans CFR of £160.2m, external borrowing of £124.0m, balance sheet resources of £68.6m and a liability benchmark of £101.6m. 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.

3.33. Liability benchmark figures for forecast years 2025/26 and 2026/27 will be reviewed for a future report now that 24/25 closedown has been finished and its impact into future years can be assessed in more detail.

Graph 1: Liability Benchmark (10 year view)

The full liability benchmark spanning 50 years is available at Annex A to this report.

- 3.34. 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.
- 3.35. 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.
- 3.36. 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.

- 3.37. Unfortunately, a limitation of liability benchmarking is that the further out the forecast, the less it can be relied upon (particularly after 2028/29 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.

Interest rate exposures

- 3.38. 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 10: Interest rate exposures	31 March 2025 Actual £m	Impact of +/- 1% interest rate change £m
Sums subject to variable interest rates		
Investment	32.4	+/- 0.2
Borrowing	(17.1)	+/- (0.1)

- 3.39. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

- 3.40. 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 prudential limits on the long-term treasury management limits are:

Table 11: Maturity structure of borrowing	31/03/25 Actual	Upper	Lower	Complied?
Under 12 months	13%	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	15%	35%	0%	✓
10 years and above	59%	100%	0%	✓

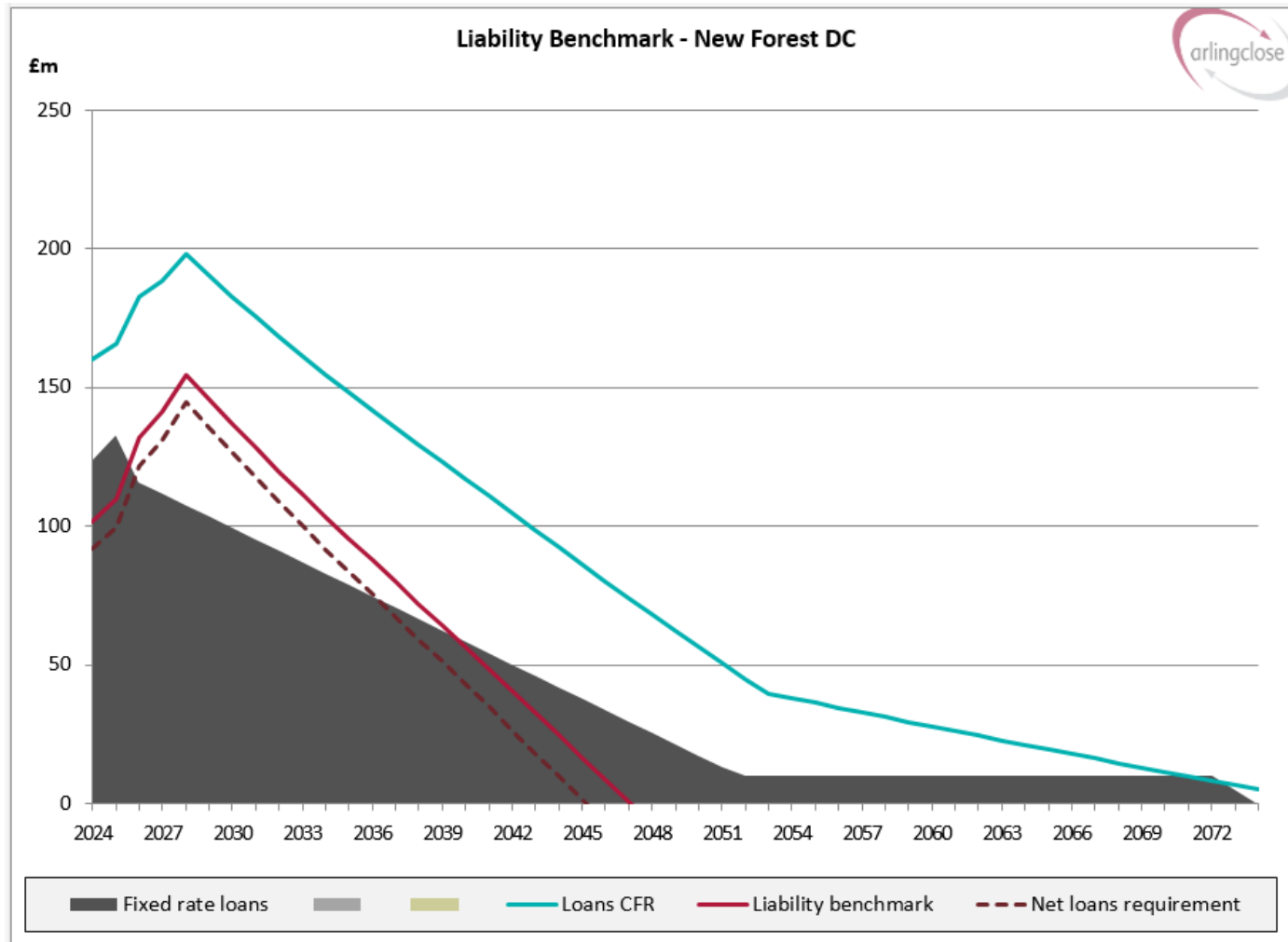
3.41. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term Treasury Management Investments

3.42. 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 12: Long-term Treasury Management Investments	2024/25	2025/26	2026/27	No fixed date
Actual principal invested beyond year end	-	-	-	£9.1m
Limit on principal invested beyond year end	£20m	£15m	£15m	£10m
Complied	✓	✓	✓	✓

3.43. 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.

Annex A– 50 year Liability Benchmark graph

New Forest District Council

Audit planning report

Year ending 31 March 2025

29 April 2025



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

Agenda Item 5



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

29 April 2025

Dear Audit Committee Members

Audit planning report

Attached is the audit planning report for the upcoming meeting of the Audit Committee. This report aims to provide the Audit Committee of New Forest District Council (the Council) with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. This report summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

As the Council's body charged with governance, the Audit Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. We will also consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements if deemed necessary. We direct Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

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.

We welcome the opportunity to discuss this report with you on 27 June 2025 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Simon Mathers

For and on behalf of Ernst & Young LLP

Enc

Contents

1 Overview of our
2024/25 audit strategy

2 Audit risks

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risks

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Materiality

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our audit

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9 Appendices

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 (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO 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. 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.



01 2024/25 audit strategy overview

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2024/25 audit strategy overview

Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include:

- Insufficient capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Insufficient capacity within audit firms with public sector experience.
- Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset; clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- Phase 2: Recovery from Phase 1; from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- Phase 3: Reform; involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As detailed in our Audit Results Report presented to the Audit Committee on 24/01/2025, we disclaimed our audit opinion on the Council's 2023/24 financial statements.

We have obtained assurance over some of the closing balances in 2023/24. However, we do not have assurance over all brought-forward balances in 2024/25. Consequently, we lack assurance over all in-year movements and some closing balances for 2024/25. Although we will continue to work towards rebuilding assurance ahead of the 2024/25 backstop date (subject to guidance), we will not be able to obtain sufficient evidence to have reasonable assurance over all closing balances. We therefore expect to again issue a disclaimer of opinion in 2024/25.

2024/25 audit strategy overview (cont'd)

Rebuild of assurance – current position

The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIG) 05 on 10 September 2024, detailing the principle of returning to a state where auditors can issue audit opinions on local authority financial statements with sufficient audit evidence. This process will take several years to achieve.

Restoring assurance will need local authorities and auditors to work together. We are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods. Until then, we are unable to commence the rebuilding work programme.

We will audit the 2024/25 closing balance sheet and in-year transactions, similar to our approach for 2023/24, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25. Updates on rebuilding assurance for the historical position will be provided as guidance is issued and its implications for the Council are evaluated taking into consideration the outcome of our risk assessment procedures. As the Council's financial statements for 2022/23 and 2023/24 were subject to a disclaimer of opinion, it is highly probable that our risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position will conclude that an elevated risk of material misstatement is associated with the reserve balances, because of the way in which they accumulate over successive years.

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Responsibilities of management and those charged with governance

The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. The Audit Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this conditions are not met, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
- Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	No change in risk or focus	<p>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.</p> <p>We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.</p>
Implementation of IFRS 16	Significant Risk	New risk in 2024/25	<p>IFRS 16 Leases, is applicable in the public sector for periods beginning 1st April 2024. The 2024/25 CIPFA Code of Practice on Local Authority Accounting has adopted, interpreted and adapted this standard, setting out the financial reporting framework for the 2024/25 accounts.</p> <p>Where the Authority is the lessee, these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.</p> <p>There is a risk that the transition will not be carried out correctly.</p>
Valuation of property, plant and equipment (PPE) and investment property land and buildings valued at Existing Use Value (EUV) and Fair Value (FV)	Inherent risk	<p>Decrease in risk for investment property valuations</p> <p>No change in risk or focus for PPE valuations</p>	<p>The valuation of PPE and investment property land and buildings represent significant balances within the Council's financial statements. The valuation of those assets valued on an EUV or FV basis is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.</p> <p>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 and FV assets may be under/overstated or the associated accounting entries incorrectly posted.</p>

2024/25 audit strategy overview (cont'd)

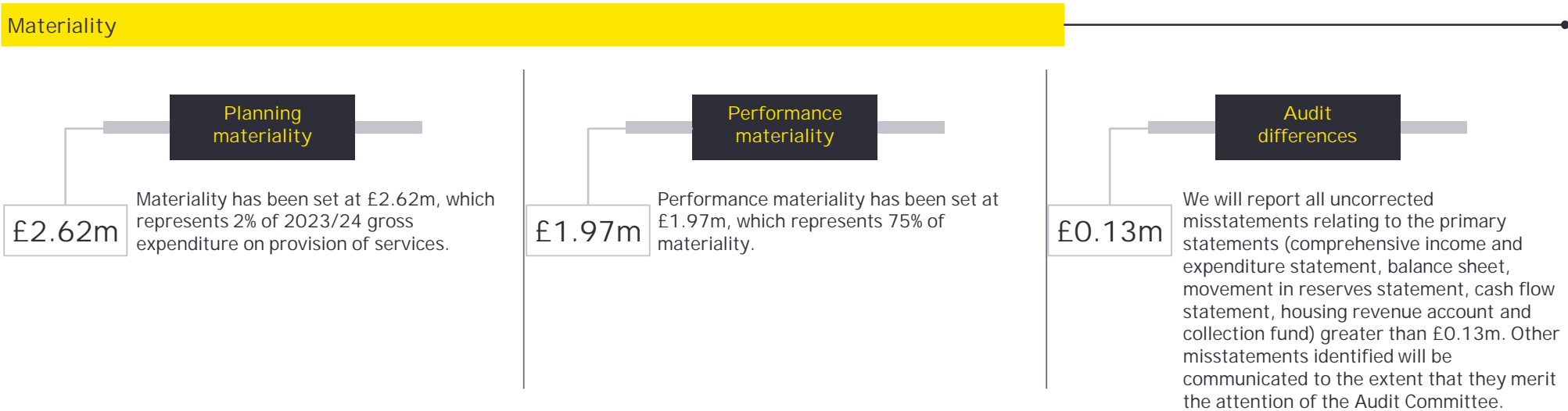
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of Council Dwellings	Inherent risk	No change in risk or focus	As with land and buildings, 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.
Pension Liability Valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to disclose its membership in the Local Government Pension Scheme in its financial statements.</p> <p>Due to the significant estimation and judgement involved, an actuary is engaged for calculations. ISAs (UK) 500 and 540 mandate procedures on using management experts and assumptions for fair value estimates.</p>

We will continue to keep the Audit Committee updated on our assessment of any changes to audit risk.

2024/25 audit strategy overview (cont'd)



We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

2024/25 audit strategy overview (cont'd)

Audit scope

This audit planning report covers the work that we plan to perform to provide you with:

- our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on the value for money arrangements in Section 3.

We also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the required mandatory procedures in accordance with applicable laws and auditing standards.

When planning the audit we consider several key inputs:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant.

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this audit planning report and will discuss any impact on the proposed scale fee with management.

2024/25 audit strategy overview (cont'd)

Audit scope (cont'd)

Effects of climate-related matters on financial statements

Public interest in climate change is growing. We recognize that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements and in assessing value-for-money arrangements.

We inquire about climate-related risks during every audit as part of our understanding of the entity and its environment. As we continually re-evaluate our risk assessments throughout the audit, we consider the information obtained to help us assess the level of inherent risk.

Audit scope and approach

We plan to adopt a substantive audit approach.

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Value for Money

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

The value for money planning and related risk assessment aims to collect enough evidence to document our evaluation of the Council's arrangements, allowing us to prepare a commentary based on three reporting criteria. This process includes identifying and reporting any significant weaknesses in those arrangements and making suitable recommendations.

We will provide a commentary on the Council's 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.
- 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.

Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This will need to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Timeline

An audit timetable has been agreed with management. In Section 7 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Presumptive risk
of management
override of
controls*

What is the risk?

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.

What will we do?

- Identify fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Discuss 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).
- Consider whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertake procedures to identify significant unusual transactions.
- Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks (cont'd)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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.

What will we do?

- Test PPE and IP additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Consider whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do expect there to be material REFCUS in the year.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE)/Investment Property (IP) additions and/or REFCUS in the financial statements.

Our response to significant risks (cont'd)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

IFRS 16 Implementation

Financial statement impact

- Assets being used by the Council under operating leases are likely to be capitalised along with an associated lease liability.
- Lease liabilities and right of use assets will be subject to more frequent remeasurement.
- Other amendments have been made to the CIPFA Code to expand the definition of donated assets to include right-of-use assets and on accounting for leases provided at below market rate, including peppercorn and nil consideration.

What is the risk?

- IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.
- IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.
- Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.
- Based on our prior year work the Council had made little progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements.

What will we do?

- Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Review the discount rate that is used to calculate the right of use asset and liability and assess its reasonableness.
- Review management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gain assurance over the right of use asset included in the 2024/25 financial statements
- Sample test leases to ensure that transition arrangements have been correctly applied.
- Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Valuation of PPE and IP land and buildings valued at Existing Use Value (EUV) and Fair Value (FV)

PPE and investment property land and buildings measured at EUV and FV represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges (for PPE assets only).

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

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 and FV assets may be under/overstated or the associated accounting entries incorrectly posted.

Our response: Key areas of challenge and professional judgement

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- Consider the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken e.g. yield, or other comparable market evidence;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review and EUV assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed and disclosed in the financial statements.

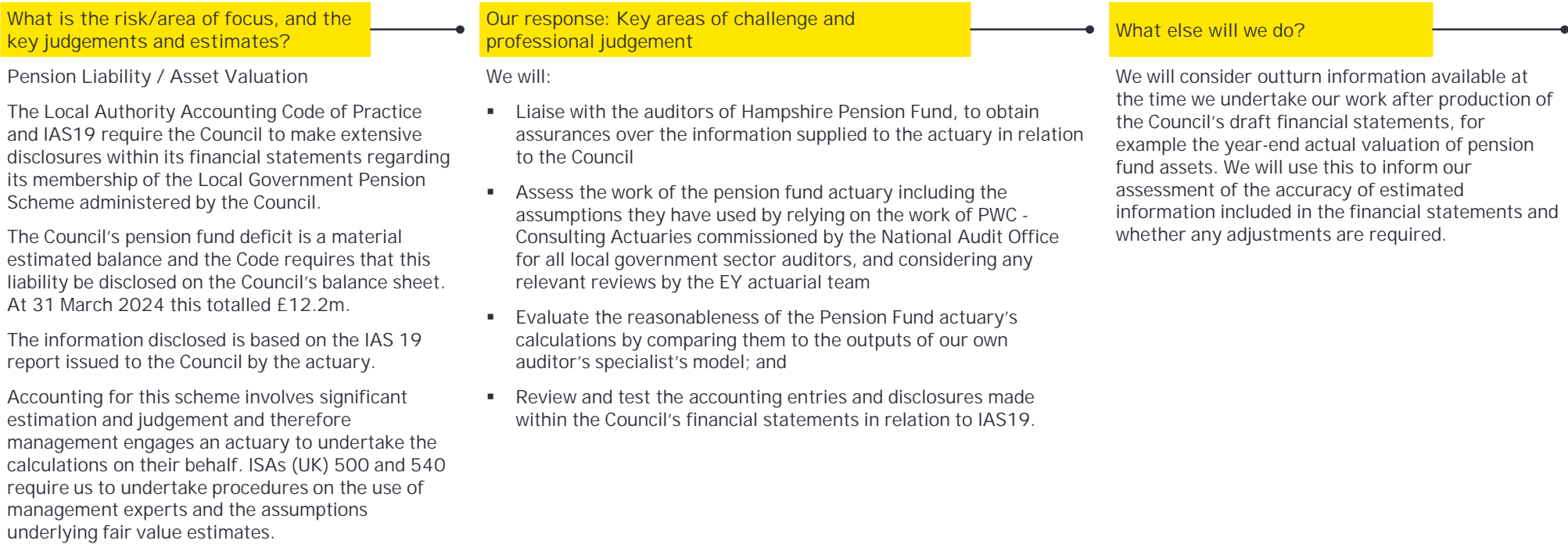
What else will we do?

Our testing will follow a fully substantive approach and consider the judgements and assumptions employed by the Council's valuer.

We will understand the valuation methodology employed by the Council's valuer and consider whether we are required to employ an EY specialist valuer to support our audit procedures.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.





03 Value for Money risks

Value for Money

Council's responsibilities for value for money

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.

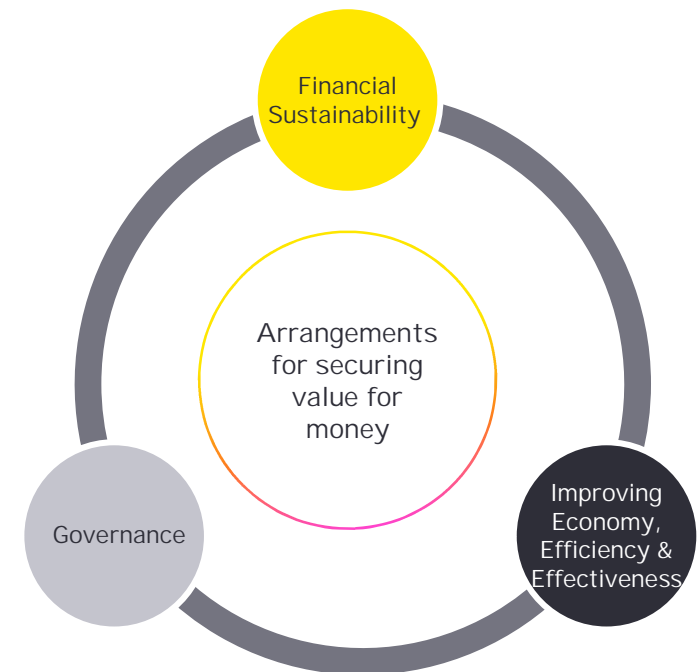
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- 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.
- 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.



Value for Money (cont'd)

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem as necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

Responding to identified risks of significant weakness

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit Committee.

Value for Money (cont'd)

Reporting on VFM

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's awareness. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2024/25 Auditor's Annual Report requires to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Status of our 2024/25 VFM planning

We have completed our initial value for money planning, where we have considered:

- Our entity level controls and understanding the business assessment
- The Council's Risk Register
- The prior year Annual Governance Statement
- Council meeting minutes
- Our planning meetings with management
- Key financial and budget information
- Key performance reports
- Internal audit reports
- Information from local, national and specialist media

We have not identified any risks of significant weakness in the Council's arrangements to suggest that the Council did not have proper arrangements to secure economy, efficiency and effectiveness on its use of resources at that time.



04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2024/25 has been set at £2.62m. This represents 2% of the Group's 2023/24 gross expenditure on provision of services. It will be reassessed throughout the audit process. In our view, gross operating expenditure is the most appropriate basis for determining planning materiality for the Council and we consider misstatements greater than 2% of gross operating expenditure to be material. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations.

Gross expenditure on provision of services

£131.01m

Planning
materiality
£2.62m

Performance
materiality
£1.97m

Audit
differences
£0.13m

We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.97m which represents 75% of group materiality. The performance materiality has remained consistent at 75% in the current year due to the small number of misstatements identified in the 2023/24 audit.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Group materiality – we have not identified a separate materiality for the Group and the Council as the audit opinion provided covers the Group and Council financial statements. There is also an insignificant difference in the materiality calculated for the Group compared to the Council.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the group and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy (cont'd)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

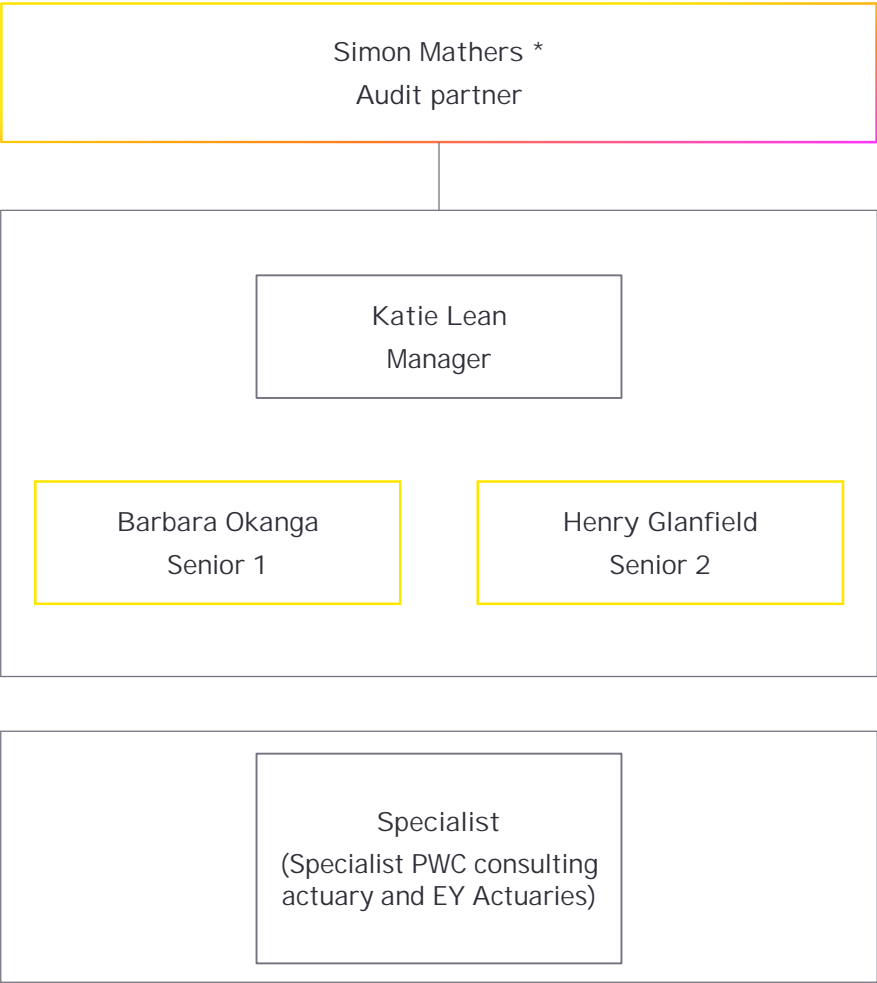


06 Audit team

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Audit team

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* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group’s business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist’s findings are properly reflected in the financial statements



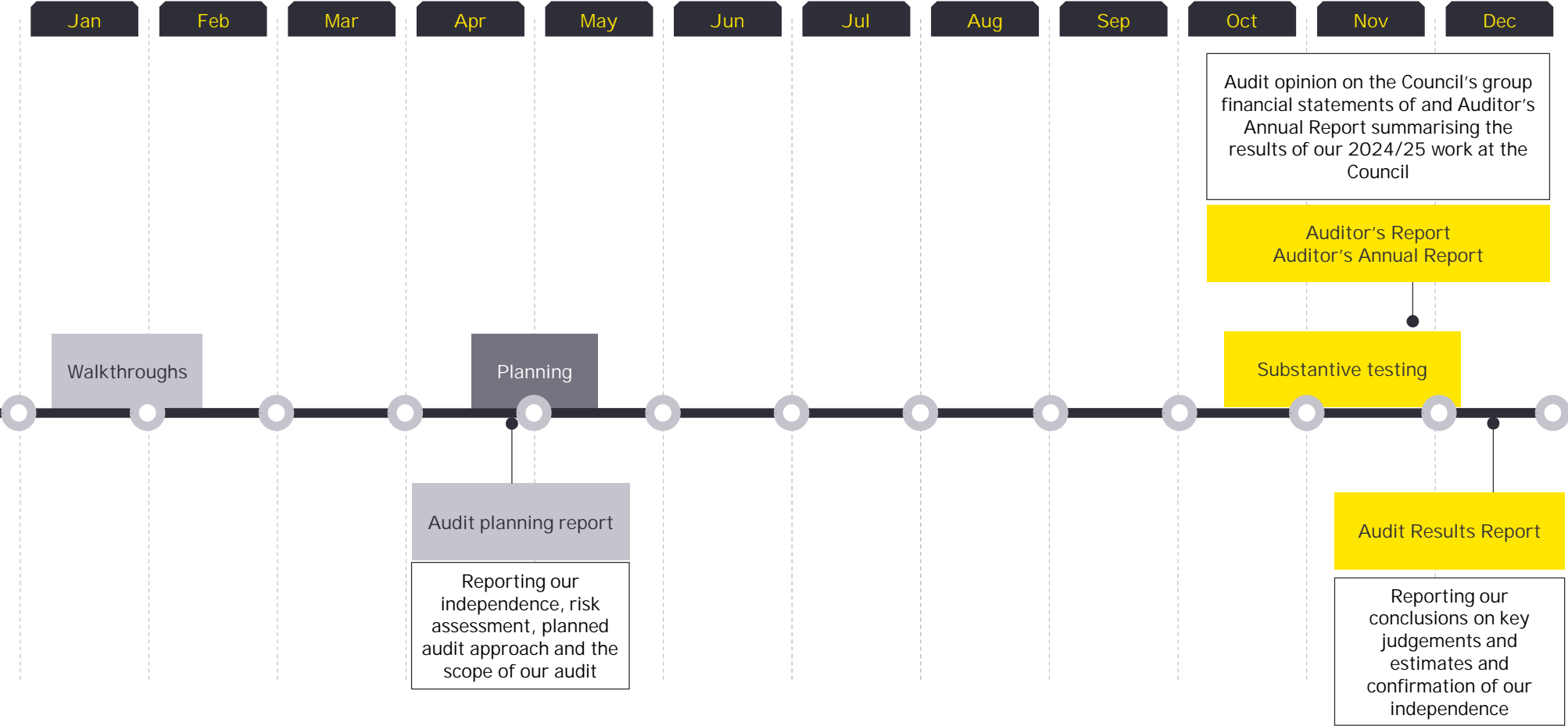
07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

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08 Independence

Introduction

The FRC Ethical Standard 2024 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2024, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none">▪ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;▪ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;▪ The overall assessment of threats and safeguards;▪ Information about the general policies and process within EY to maintain objectivity and independence▪ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a ‘pre-approval’ to provide the service).▪ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.	<ul style="list-style-type: none">▪ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;▪ Details of non-audit/additional services provided and the fees charged in relation thereto;▪ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;▪ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner▪ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;▪ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and▪ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Simon Mathers, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

No non-audit services have been provided and therefore, there are no services which are prohibited under the FRC's ES or require approval in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there are no non-audit services. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2024

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](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that 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 which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – 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.

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Council;
- an effective control environment; and
- compliance 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-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26–28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	2024/25	2023/24
	£	£
Total Fee – Code Work	180,610	165,261
Other	TBC Note 2	40,434 Note 1
Total audit	TBC	205,695

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit.

The 2023/24 work has just been completed and we intend to submit a proposal to PSAA for a scale fee variation totalling £40,434. This final fee includes 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, totalling £25,500.
- 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, totalling £790.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability alongside additional work performed by the EY Audit Team to review the revised IAS 19 report requested from the Pension Fund Actuary, as a result of the misstatement detailed on page 13 of this report. This totals £6,664.
- Additional procedures required as a result of the number of recharge journals posted by the Council, totalling £7,479.

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

(2) Scale fees for 2024/25 have been increased by PSAA to cover additional audit work under revised standards and a contractual inflationary increase payable to audit firms. The new work relates to revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		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: <ul style="list-style-type: none"> ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ The significant risks identified 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	Audit planning report – 27 th June 2025 Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process ▪ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	Audit results report

Appendix C – Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you
		When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▪ Whether the events or conditions constitute a material uncertainty ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ 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 ▪ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report

Appendix C – Required communications with the Audit Committee (cont'd)

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		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity 	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▪ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report – 27th June 2025 Audit Committee</p> <p>Audit results report</p>
External confirmations	<ul style="list-style-type: none"> ▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ 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 ▪ 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
Internal controls	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit 	Audit results report

Appendix C – Required communications with the Audit Committee

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		Our Reporting to you
Required communications	What is reported?	When and where
Group audits	<ul style="list-style-type: none"> An overview of the work to be performed at the components and the nature of the group audit team’s planned involvement in the work to be performed by component teams Instances when the group audit team’s review of the work of a component team gave rise to a concern about the quality of that team’s work, and how the group audit team addressed the concern Any limitations on the ability to obtain sufficient appropriate audit evidence in support of the group audit opinion, for example, where the group audit team’s access to people or information may have been restricted 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 Significant deficiencies identified in the group’s system of internal control 	Audit planning report – 27 th June 2025 Audit Committee Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor’s report Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report

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Audit Committee – 27 June 2025

Annual Internal Audit Conclusion Report 2024-25

Purpose	For information
Classification	Public
Executive Summary	<p>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 report reviewing the effectiveness of Council's framework of risk management, internal control and governance which can be used to inform the production of the Annual Governance Statement.</p> <p>The Annual Internal Audit Conclusion Report 2024-25 provides the Chief Internal Auditor's opinion on the effectiveness of the framework of governance, risk management and control and summarises audit work from which that opinion is derived.</p> <p>The Audit Committee's attention is drawn to the following points:-</p> <ul style="list-style-type: none"> • Internal audit was compliant with the Public Sector Internal Audit Standards; • the internal audit plan has been substantially delivered; and • the Council's framework of governance, risk management and management control is considered to be 'Reasonable' and audit testing has demonstrated controls to be working in practice.
Recommendation(s)	The Audit Committee are requested to note the Annual Internal Audit Conclusion Report 2024-25.
Reasons for recommendation(s)	The Audit Committee has a responsibility to note the Annual Internal Conclusion in accordance with the Public Sector Internal Audit Standards.

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 Deputy Head of Southern Internal Audit Partnership 07784 265289 antony.harvey@hants.gov.uk

Introduction and background

- 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.
- 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 report reviewing the effectiveness of Council's framework of risk management, internal control and governance which can be used to inform the production of the Annual Governance Statement.
- The Annual Internal Audit Conclusion Report for 2024-25 (attached as Appendix A) provides the Chief Internal Auditor's opinion and summarises the audit work from which that opinion is derived.

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 consisted 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 reflected 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:

Appendix A – Annual Internal Audit
Conclusion Report 2024-25

Background Papers:

Internal Audit Plan 2024-25
Internal Audit Charter 2024-25

Southern Internal Audit Partnership

Assurance through excellence
and innovation

NEW FOREST DISTRICT COUNCIL

Annual Internal Audit Conclusion 2024-2025

Prepared by: Antony Harvey, Deputy Head of Partnership

June 2025

1. Internal Audit Standards

With effect from 1 April 2025, the 'Standards' against which internal audit within the public sector must conform are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector.

The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

Prior to 1 April 2025 conformance was required with the Public Sector Internal Audit Standards (PSIAS). Consequently, in fulfilling the audit mandate and delivery of internal audit service for the purposes of the 2024-25 annual conclusion the PSIAS remain the relevant Standards.

2. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'5. (1) A relevant authority 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.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations

as are considered necessary by those conducting the internal audit.'

The role of internal audit is best summarised through its definition within the Standards as:

'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

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 organisations' objectives.

3. Internal Audit Approach

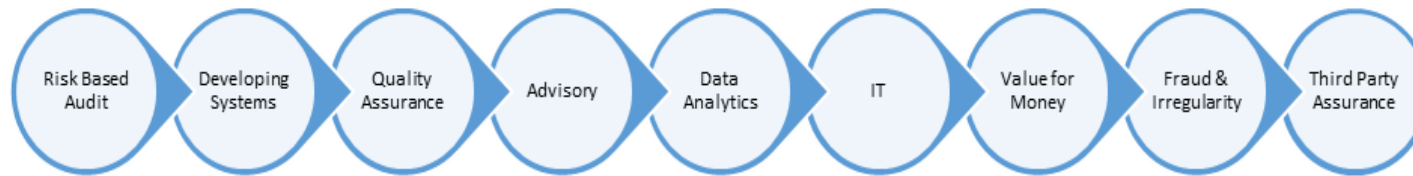
To enable effective outcomes, internal audit provides a combination of assurance and advisory activities. Assurance work involves objective assessment of how well systems and processes are designed and working, with advisory activities available to help to improve those systems and processes where necessary whilst not assuming any management responsibilities.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.

A full range of internal audit services is available in forming the annual audit conclusion:



The Southern Internal Audit Partnership maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our partners, with the necessity to provide comprehensive, compliant and value adding assurance.

We have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork, however, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

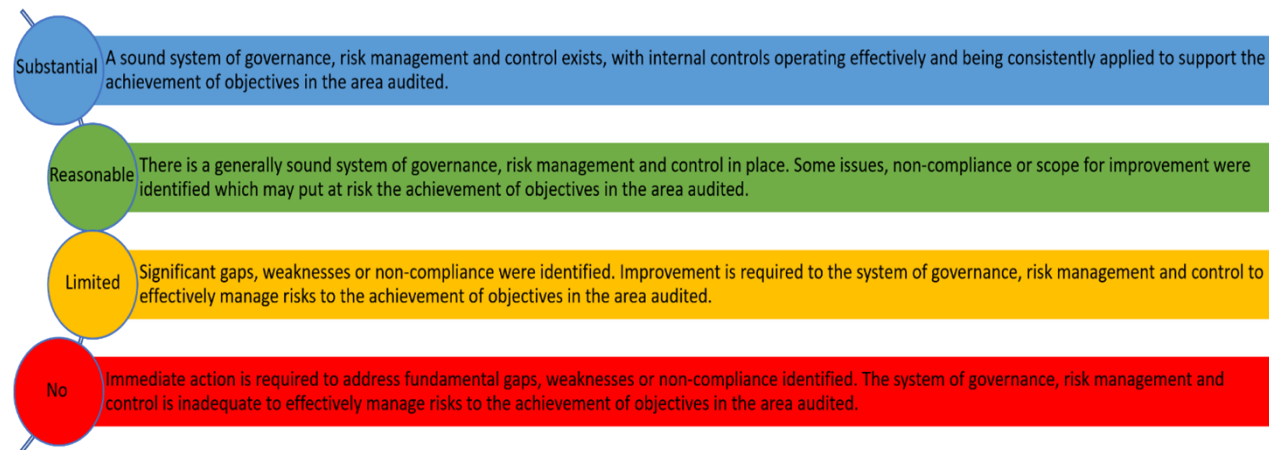
4. Internal Audit Coverage

The annual internal audit plan is prepared taking account of the characteristics and relative risks and objectives of the Council and to support the preparation of the Annual Governance Statement. Work has been planned and performed to establish if sufficient evidence is available to provide reasonable assurance that the framework of governance, risk management and internal control is operating effectively.

The 2024-25 internal audit plan was considered by the Audit Committee in March 2024. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to organisational objectives / priorities and the key risks facing the organisation.

The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of governance, risk management, and control designed to support the risks to the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



5. Resources

The Southern Internal Audit Partnership has a strategy in place to optimise internal audit resource. Ongoing sufficiency of resources (financial, human and technological) are transparently communicated by the chief internal auditor to senior management and the Audit Committee through regular reporting as part of the approval of the internal audit plan and further throughout the year as part of the progress reports and ultimately within the annual conclusion.

Any resource implications that put the fulfilment of the internal audit plan and internal audit mandate at risk are reported accordingly through the afore mentioned reports.

There have been no resource implications that have adversely affected the fulfilment of the internal audit mandate or delivery of New Forest District Council's internal audit plan impacting my ability to provide a conclusion on the organisation's framework of governance, risk, and internal control.

6. Independence

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2024-25 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed.

I can confirm there has been no interference encountered by the Southern Internal Audit Partnership related to the scope, performance, or communication of internal audit work during the year in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

7. Impairments

There have been no impairments to internal audit activity during the year. As chief internal auditor I have ensured that the internal audit function has remained free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

8. Limitations of Scope

There have been no limitations to the scope of internal audit work during the course of the year.

9. Internal Audit Conclusion

As chief internal auditor, I am responsible for the delivery of an audit conclusion that can be used by the Council to inform their Annual Governance Statement. The annual audit conclusion culminates in an overall opinion on the adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & advisory).
- results of any follow up exercises undertaken in respect of previous years' internal audit work.
- the results of work of other review bodies where appropriate.
- the extent of resources available to deliver the internal audit work.
- the quality and performance of the internal audit service and the extent of compliance with the Standards
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by the Audit Committee and senior management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk, and control over the 2024-25 financial year.

Annual Internal Audit Conclusion 2024-25

I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are **'reasonable'**, and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

10. Governance, Risk Management & Control – Overview, Key Observations & Themes

Assurance opinions for 2024-25

Significant findings from our reviews have been reported to senior management and the Audit Committee throughout the year and a summary of the assurance opinions is outlined below.



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities, and reporting arrangements.
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved, and appropriately publicised and accessible to officers and staff.

In addition, during 2024-25 we undertook a review of the Council's Corporate Governance Framework including the implementation of the new Committee Report template. This review sought assurance that there is an appropriate framework, processes and records for declarations of conflicts of interest; there are robust processes to inform the Council's Annual Governance Statement and track identified actions through to completion; and the consistent use of the new Committee report template to help ensure informed, effective and transparent decision making. Our review concluded in a substantial assurance opinion.

We also conducted a review of the Council's Fraud Framework which sought assurance that there is a robust framework in place to prevent, detect and investigate fraud and irregularities with effective reporting arrangements, both internally and externally, for anti-fraud and fraud activity. Our review concluded with a reasonable assurance opinion.

The audit of Information Governance – Data Retention sought assurance that the Council have an appropriate framework to apply and comply with the Council's Data Retention and Destruction Policy & Schedule. Our review concluded with a reasonable assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and Audit Committee meetings, in our opinion the governance frameworks in place across the Council are generally robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit Committee to provide the opportunity for independent consideration and challenge of the Annual Governance Statement and key Governance Policies.

Risk management

During the year we completed a review of risk management which concluded with a limited assurance opinion. The risk management framework in place had been developed, including regular reporting to EMT and the Audit Committee, following a previous limited assurance assessment in 2021-22 and subsequent follow-up audit in 2022-23. We found, however, a number of omissions within the Risk Management Policy, the framework was not fully embedded and there was no plan or timetable to support the implementation and rollout of the framework. At the time of review, only 5/28 Service Risk Registers had been drafted, and their format and content had not been standardised. Following completion of the audit, we have received confirmation that all agreed actions have implemented bar two that are no longer applicable due to the implementation of the new Principal Risk Register and revised Risk Management Policy.

In accordance with the constitution, the Audit Committee play a key role *‘monitor the effective development and operation of risk management and governance in the council’*. It is therefore imperative the Audit Committee continue to receive regular reports and updates in order to provide the opportunity for independent consideration and challenge in this area.

The risk register is a key document that is considered during the development of our risk based internal audit plan. Additionally, information from the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately aligned.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2024-25 plan that were working effectively to support the delivery of corporate objectives. We generally found officers and staff to be aware of the importance of effective control frameworks, and open to our suggestion for improvements or enhancements where needed.

The key areas of challenge identified through our work are outlined below:

Environmental Enforcement – Clean Streets – Limited Assurance (draft report).

This audit focussed on the areas of abandoned vehicles (ABVs), and Fixed Penalty Notices (FPNs) in relation to littering and fly-tipping (including the improper disposal of business waste). The assurance rating for this review was primarily based on the absence of a formally approved policy for this area. The Team is taking a ‘pragmatic and proportionate approach’ with Environmental Enforcement which they

believe is expected by the Council, however in the absence of a policy, the Team are exposed as there could be a mismatch between their current understanding / approach to the actual expectations of elected Members. In addition, in the absence of a policy, there is not a formal framework to assess the Team against. There are no documented procedures in place for the provision and processing of ABVs and waste FPNs, including guidance for the cancellation of FPNs, which again, leaves the Team exposed in terms of whether the cancellation was appropriate, undertaken by the correct officer and is in line with expectations. Documented procedures, aligned to an approved policy, would provide a framework for the Team to work within, be assessed against and provide more resilience should there be staffing changes.

Partnership Working – Town and Parish Councils – Limited Assurance (draft report).

We sought to provide assurance over governance frameworks around shared delivery arrangements with Town and Parish Councils focussing on the Operational Service areas, mainly the Grounds and Streetscene Service. Although Service Level Agreements (SLAs) are in place for some bin emptying, grass cutting and tree inspections services, detailed and defined SLA are not in place for every Town and Parish Council arrangement. There is no central or local register, listing and tracking the services and functions provided to or shared with Town and Parish Councils. Although prices are increased annually in line with the inflation, supporting calculations to confirm the actual costs of service provision could not be obtained.

ICT Project Delivery – Limited Assurance (draft final report).

The audit sought to provide assurance over the arrangements to deliver medium and major sized ICT projects within budget, time and quality requirements, based on three projects completed during 2024 and one project which is currently in-progress. The audit identified areas of good practice within the individual projects however it also highlighted inconsistent approaches, varying utilisation (or non-availability) of key project management documentation, reports and approvals. It is noted that two of the projects completed during 2024 were led by a project manager who has left the Council. The audit found improvements in documentation, procedures, the control framework and compliance within the on-going project, which has been managed under the current project team and delivery framework and overseen Lead ICT Project Manager appointed in March 2024.

Risk Management – Limited Assurance (please see above).

Other Sources of Assurance

During the year internal audit have remained cognisant of other sources of assurance from which the Council benefit. Due to legal and regularity nature of some public sector assurance providers internal audit do not have engagement with or insight into the scope and timing of their work.

Where appropriate internal audit does coordinate with and place reliance on the outcomes of other assurance providers to minimise duplication and highlight potential gaps in assurance needs. Additionally, as chief internal auditor I liaise with the external auditors on matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work.

During the year, the LGA Corporate Peer Challenge Feedback Report has been considered and contributed to my annual conclusion.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is periodically reported during the year to the Audit Committee through our quarterly internal audit progress reports. The Audit Committee's continuing challenge to Council officers with the progress with implementing actions that have arisen from previous audit reviews has ensured a continued focus in this area.

Acceptance of Risk

From the work carried out by the Southern Internal Audit Partnership during the year, I am not aware of any instances where management have accepted a level of risk that we feel exceeds the organisations risk appetite or risk tolerance.

11. Themes

The findings and conclusions of multiple engagements, when viewed holistically, can reveal patterns or trends, such as root causes. Analysis of assurance work undertaken across the organisation's framework of governance, risk management and control processes has highlighted many areas where operational processes have not been documented, or policies and procedures are out of date. In an uncertain climate where staff retention is increasingly challenging, this poses an increased risk of losing operational knowledge and resilience issues.

12. Anti-Fraud and anti-corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image.

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud, Bribery & Corruption Strategy; Whistleblowing Policy; Council Tax Support Penalty and Prosecution Policy). These policies were reviewed and updated during 2024 and approved by the Audit Committee in March 2025.

The Council employs a Corporate Fraud and Compliance Officer who supports the Revenues, Benefits and Housing Teams with investigations. An annual report is presented to the Audit Committee summarising the activities and outcomes relating to the prevention and detection of fraud.

In accordance with the Council's internal audit charter *'Management is required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor so that they can consider the adequacy of relevant controls, evaluate the implication of the fraud on the risk, control and governance processes and consider making recommendations as appropriate'*. We have not been notified of any instances of fraud in relation to this requirement.

13. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against industry Standards for conformance.

The QAIP must include provision for both internal and external assessments: internal self-assessments are required annually, and an external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the relevant Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the 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.'

Despite the change in the Standards any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.

14. Disclosure of Non-Conformance

There are no disclosures of Non-Conformance to report. In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

15. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2024-25 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success
- On-going development of a constructive working relationship with other assurance providers to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An internal quality assessment against the industry Standards.

16. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Measure	Target	Actual (2024-25)
Percentage of internal audit plan delivered (to draft report)	95%	87%
Positive customer survey response:		
SIAP – all Partners	90%	98%
New Forest District Council	90%	99%
Conformance with the Public Sector Internal Audit Standards	Conforms	Conforms

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2025).

17. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey
Deputy Head of Southern Internal Audit Partnership

Summary of Assurance Reviews Completed 2024-25

Annex 1

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.

- Corporate Governance Framework
- HR – Recruitment/Statutory Responsibilities
- IT Contract Management
- Community Infrastructure Levy Expenditure Framework
- Budget Planning/Setting
- Housing Benefits
- Housing Asset Management – Lift Inspections
- Contract Management – Leisure Contract
- Payroll and Expenses
- Housing Asset Management –Asbestos Governance Framework & Health and Safety

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.

- Health and Safety
- Housing Rent Reconciliations
- Corporate Governance – Fraud Framework
- Parking and Enforcement
- Keyhaven – Income and PCard Expenditure (Draft Report)
- Housing Management – Right to Buy
- Housing Asset Management – Gas Safety (Draft Report)
- Information Governance – Data Retention/Records Management
- Housing Allocations
- Housing Enforcement
- Environmental Health – Local Air Pollution Prevention and Control (LAPPC)
- Cemeteries (Draft Final Report)

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.

- Risk Management
- Environmental Enforcement – Clean Streets (Draft Report)
- Partnership Working – Town and Parish Councils (Draft Report)
- IT Project Delivery (Draft Final Report)

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.

Not applicable

*Four reviews (Corporate Plan/Performance Management, Treasury Management, IT – Firewall Management and Monitoring, and Licencing) remain work in progress and will be reported as part of our regular progress reports to the Audit Committee upon completion. The status of these reviews has not inhibited my ability to provide an overall opinion on the Council's framework of governance, risk and control.

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Audit Committee – 27 June 2025

Progress update of outstanding management actions

Purpose	For information
Classification	Public
Executive Summary	<p>In accordance with the relevant standards or guidance in relation to internal audit, and the Council's Internal Audit Charter, the Chief Internal Auditor has the responsibility to follow up on engagement findings and confirm the implementation of management actions or action plans and communicate the results of internal audit services to the Audit Committee and Executive Management Team (EMT) periodically and for each engagement as appropriate.</p> <p>At the request of the Audit Committee, we have worked with Council officers to establish the current status of all overdue actions and provide a report detailing the outcome, attached as Appendix A.</p>
Recommendation(s)	The Audit Committee are requested to provide input to and note the reassessment and future approach for the legacy management actions, and consider if further updates are required on specific actions.
Reasons for recommendation(s)	To keep the Audit Committee apprised of the Council's progress with implementing agreed actions arising from internal audit reviews.
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

	Deputy Head of Southern Internal Audit Partnership 07784 265289 antony.harvey@hants.gov.uk
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Introduction and background

1. Management actions are the corrective, or improvement measures that management agrees to implement based on the results of an internal audit. These actions are documented in the audit report and tracked until completion.
2. As reported to EMT and the Audit Committee within the February 2025 internal audit progress report, there are some long standing management actions which have needed to be reconsidered within the current context facing the Council. As time has progressed, on occasion, the actions and timescales originally agreed have become less relevant and outdated and it has therefore become increasingly difficult to track the actions through to completion. We have worked with the Council to re-assess, where relevant, if the originally agreed actions: -
 - are still relevant and if so, the expected timescales for completion,
 - have become superseded due to alternative action(s) taken which has addressed the risks identified,
 - will be taken forward within wider corporate initiatives and if so, how best to monitor the progress and completion, or
 - whether action(s) will no longer be taken, and any residual risk is accepted (if applicable).
3. We have worked with Council officers who have confirmed that of the 24 actions which had passed the agreed implementation date:
 - three have been completed
 - 11 of the actions originally agreed are still relevant and revised target dates for implementation have been provided
 - 10 actions will not be taken forward as originally agreed and will therefore not be tracked through to completion.
4. The report provides the Council Officers update against each original action, the rationale for why the action will not be taken forward as originally stated and where applicable, the approach for re-evaluating and agreeing future actions and timescales.

5. All relevant actions will continue to be tracked through to conclusion through the established follow-up process and confirmed through our regular progress updates to EMT and the Audit Committee.

Corporate plan priorities

6. 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

7. No alternative options have been considered as this report is a requirement under relevant legislation and standards.

Consultation undertaken

8. This report has been discussed with the Executive Management Team.

Financial and resource implications

9. 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 2025-26 reflects these arrangements.

Legal implications

10. There are no additional implications arising from this report.

Risk assessment

11. No formal risk assessment is required.

Environmental / Climate and nature implications

12. There are no additional implications arising from this report.

Equalities implications

13. There are no additional implications arising from this report.

Crime and disorder implications

14. There are no additional implications arising from this report.

Data protection / Information governance / ICT implications

15. There are no additional implications arising from this report.

Appendices:

Appendix A – Review of outstanding management actions June 2025

Background Papers:

Internal Audit Progress Report 2024-25 (February 25)
Internal Audit Plan 2025-26
Internal Audit Charter 2025-26

Southern Internal Audit Partnership

Assurance through excellence
and innovation

New Forest District Council

Internal Audit Report

Review of outstanding management actions

16 June 2025

Prepared by: Laura Hutchison

FINAL REPORT

1. Introduction

- 1.1. Management actions are the corrective, or improvement measures that management agrees to implement based on the results of an internal audit. These actions are documented in the audit report and tracked until completion.
- 1.2. As reported to EMT and the Audit Committee within the February 2025 internal audit progress report, there are some long standing management actions which have needed to be reconsidered within the current context facing the Council. As time has progressed, on occasion, the actions and timescales originally agreed have become less relevant and outdated and it has therefore become increasingly difficult to track the actions through to completion. We have worked with the Council to re-assess, where relevant, if the originally agreed actions: -
- are still relevant and if so, the expected timescales for completion,
 - have become superseded due to alternative action(s) taken which has addressed the risks identified,
 - will be taken forward within wider corporate initiatives and if so, how best to monitor the progress and completion, or
 - whether action(s) will no longer be taken, and any residual risk is accepted (if applicable).
- 1.3. We are grateful to Donna Langfield, Josie West and Paul Whittles for their assistance during the course of the work.

2. Circulation List

- 2.1. This document has been circulated to the following:
- Alan Bethune – Strategic Director - Corporate Resources & Transformation
 - James Carpenter – Strategic Director - Place, Operations and Sustainability
 - Richard Knott – Strategic Director - Housing & Communities
 - Paul Whittles – Assistant Director - Finance
 - Donna Langfield - Strategic Support Manager
 - Josie West - Strategic Procurement Manager



The Southern Internal Audit Partnership conforms to the IIA's professional standards and its work is performed in accordance with the International Professional Practices Framework (*endorsed by the IIA*).

3. Summary Findings

The table below summarises the current position where: -

- 3/24 actions have been completed.
- 11/24 actions are still relevant with new target dates agreed and will continue to be tracked through to completion.
- 10/24 actions will not be taken forward as originally agreed and will therefore not be tracked through to completion.

Section 4 of the report details the original agreed action, the responsible officer update and rationale for why the action will not be taken forward as originally stated.

Management Actions	
Completed	3
Continue tracking	11
Stop tracking	10
Total	24

4. Detailed Findings

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
AUDIT: Fleet management (follow-up phase 2)		
<p>MA: 2.1 There is a monthly report that has been compiled to include budgets, sickness absence, replacements programme and progress on targets. Required resource is not yet in place to complete this regularly. A review of resource levels is needed. In addition, this relates directly with the current plan, that runs alongside the Fleet modernisation programme (Fleet Review), that is yet to be agreed.</p> <p>Target Date: 30/9/23 Priority: Medium</p> <p>Responsible Officer: Liz Mockridge, Service Manager – Waste and Transport</p>	<p>Through finance meetings and reporting to capital board plus 1-2-1 meetings with Transport Managers, Line Managers can manage budget, sickness etc. There are our capital boards meetings annually, fleet replacement is reported at these and against the Capital programme.</p> <p>Alternative governance and reporting are in place to mitigate this risk.</p>	<p>No.</p> <p>Alternative action taken which has addressed the risks identified.</p> <p>Stop tracking.</p>
<p>MA: 6.1 The fuel usage is the responsibility of two areas. Bunkered fuel is managed by Housing and Fuel cards by Transport (administered by the Administration team). The Fuel card data be uploaded into the Bunkered fuel data and reports run, such as MPG analysis. MPG analysis should record the vehicle type to aid with identification of issues. A standard monthly report could be run - usage, MPG, and CO2 emissions. Consideration will be given to all elements of fuel being run by one department, which would require appropriate budget and resources allocated.</p> <p>Target Date: 31/3/24</p> <p>Priority: Medium</p> <p>Responsible Officer: Liz Mockridge, Service Manager – Waste and Transport.</p>	<p>A new supplier has been appointed for fuel cards. The resources and processes have still to be agreed.</p>	<p>No.</p> <p>Still relevant with new target date agreed 30/11/25.</p> <p>Continue tracking.</p>

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
AUDIT: Engineering Works 2022/23		
<p>MA: 1.1 The issue of a single asset inspection officer has previously been raised at a senior management level through a report to EMT in June 2022 to seek additional resource. This was not approved. A review of the asset inspection process has been requested.</p> <p>Target Date: 31/3/24</p> <p>Priority: High</p> <p>Responsible Officer: Steve Cook, Service Manager - Coastal</p>	<p>The Transformation Team is now progressing the review of asset inspections including resource, frequency and software as part of a larger piece of work.</p> <p>The risk of the reliance on a single asset inspection officer and the Business Continuity element will be developed through the new approach to Emergency Planning and Business Continuity (re the Business Continuity 2023/24 update below).</p> <p>A full review of Engineering works is also planned as part of the 2025/26 audit plan.</p>	<p>No.</p> <p>To be reassessed within the 2025/26 Transformation Programme Audit and Business Continuity Audit.</p> <p>Stop tracking.</p>
<p>MA: 4.1 To explore options of developing an improved electronic filing system through the use of SharePoint. Now that this has been introduced into the council there is the opportunity to explore this. However, consideration will need to be given as to how operatives may utilise any such electronic filing system.</p> <p>Target Date: 31/3/24</p> <p>Priority: Medium</p> <p>Responsible Officer: Steve Cook, Service Manager - Coastal</p>	<p>There is a new Job System in place this is live & running - Engineering works audit is included in the 2025/26 audit plan which will re-assess risks within the new processes and system.</p>	<p>Yes</p> <p>Original action complete</p>
<p>MA: 6.1 This will be addressed in consideration of action 3.1 to discuss the consideration to improve the job log system.</p> <p>Target Date: 31/3/24</p> <p>Priority: Low</p> <p>Responsible Officer: Steve Cook, Service Manager - Coastal</p>	<p>There is a new Job System in place this is live & running - Engineering works audit is included in the 2025/26 audit plan which will re-assess risks within the new processes and system.</p>	<p>Yes</p> <p>Original action complete</p>

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
AUDIT: Commercial Activities – Appletree Holdings 2023/24		
MA: 1.1 Lettings contract to be reviewed, to ensure it remains in line with CSOs. Target Date: 31/12/23 Priority: Medium Responsible Officer: Paul Whittles, Assistant Director – Finance.	The contract with New Forest Lettings was reviewed by the Estates & Valuation Manager. The contract has now expired. Expenditure with New Forest Lettings since 01/04/2022 is £12,750 which is within CSO limits therefore this action is no longer required. Any future requirements will be identified within BAU procurement processes.	No. Superseded – Action no longer required. Stop tracking.
AUDIT: Open spaces and playground safety checks 2022/23		
MA: 1.1 Critically review assets and inspection timescales based on ‘Risk and Likelihood’ and formalise site and play equipment inspection schedule. (to be appended to policy, as set out in Action 1.2) Target Date: 31/3/24 Priority: High Responsible Officer: Roxanne King, Service Manager – Public Realm and Sustainability.	An EMT report has been submitted for June 2025, this will be reporting on all the outstanding actions from this audit and the way to move these forwards. A new Playground policy is being produced and require the Overview & Scrutiny to sign off therefore the delivery requires a revised date to 31 October 2025.	No Still relevant with new target date agreed 30/10/25 Continue tracking.
MA: 1.2 Open Spaces to draft a Playgrounds and Play Equipment Policy covering the sites and equipment where compliance responsibility rests with Open Spaces. The policy will set out the purpose, legal requirements, responsibilities, methodology, arrangements, and process, set out a review period frequency and append a schedule of sites and equipment. The policy is to be presented to EMT and consulted through safety panels.	Remaining actions still to be completed as detailed above.	No Still relevant with new target date agreed 30/10/25 Continue tracking.

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
Target Date: 31/3/24 Priority: High Responsible Officer: Roxanne King, Service Manager – Public Realm and Sustainability.		
MA: 2.1 The Assistant Director for Place and Operations to assign a lead Place and Operations Officer to undertake a fundamental review of the cross service arrangements where responsibility rests with Place and Operations. The review to consider compliance activities, roles, responsibilities, efficiencies, reporting and data collection, budgets, and compliance monitoring. The data gathered from the review will inform Observation 1, 1.2 and 1.2 Investigate Revisions options regarding current Asset Inspection Criterion and IT Systems to track actions. Target Date: 31/5/24 Priority: Medium Responsible Officer: Chris Noble, Assistant Director, Place & Operations.	A Lead Officer is in place. Remaining actions still to be completed as detailed above.	No Still relevant with new target date agreed 30/10/25. Continue tracking.
MA: 3.1 Introduce Annual Reviews of Open Space Play Parks and Play Equipment Risk Assessments. Target Date: 31/3/24 Priority: Medium Responsible Officer: Roxanne King, Service Manager – Public Realm and Sustainability & Heleana Aylett, Service Manager – Human Resources	This item is to be included in the New Playground Policy once all the outstanding actions have been reviewed by EMT (as detailed above).	No Still relevant with new target date agreed 30/10/25. Continue tracking.
MA: 5.1 Place and Operations to review the governance arrangements for health and safety compliance activities to provide oversight and assurance.	This item is to be included in the New Playground Policy once all the outstanding actions have been reviewed by EMT (as detailed above).	No

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
Target Date: 31/5/24 Priority: Medium Responsible Officer: Roxanne King, Service Manager – Public Realm and Sustainability.		Still relevant with new target date agreed 30/10/25. Continue tracking.
AUDIT: Housing - Electrical Safety Checks 2023/24		
MA: 4.3 The Housing Landlord Services Maintenance and Repairs Policy was introduced in November 2019. The policy is on the review schedule to be undertaken during 2023/24. Target Date: 30/4/24 Priority: Low Responsible Officer: Sophie Tuffin, Service Manager - Housing Maintenance Programmes and Servicing.	<p>The policy has been to EMT and Overview & Scrutiny and has been signed off.</p> <p>It is still due to go TIG meetings panels in the summer, but meetings are full, so the team is splitting over several meetings. The Portfolio Holder will then be required to complete the sign off.</p>	No Still relevant with new target date 01/10/25. Continue tracking.
MA: 4.4 The Housing Landlord Services Void and Mutual Exchange Policy was introduced in April 2020. The policy is on the review schedule to be undertaken during 2023/24. Target Date: 30/4/24 Priority: Low Responsible Officer: Sophie Tuffin, Service Manager - Housing Maintenance Programmes and Servicing	<p>For Voids/Mutal Exchange, the Team has reviewed processes and minimising time properties are void. They are drafting a Policy and EMT, O&S have signed this off.</p> <p>It is still due to go TIG meetings panels in the summer, but meetings are full, so the team is splitting over several meetings. The Portfolio Holder will then be required to complete the sign off.</p>	No Still relevant with new target date 01/10/25. Continue tracking.

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
AUDIT: Business Continuity 2023/24		
MA: 1.1 Ensure that critical activity response plans are in place for all relevant areas. Target Date: 31/12/24 Priority: Medium Responsible Officer: Joanne McClay, Service Manager - Environmental and Regulation	<p>An SLA is now in place between New Forest District Council, Southampton (SCC) and Portsmouth City Councils, which started in April 2025. The Work programme has been drawn up and is now being reviewed. The Work Programme will be in place for Business Continuity (BC) and Emergency Planning and is looking at how BC is delivered across the whole Council. The Emergency Planning Officer is starting on the 23rd of June 2025 and will work with SCC.</p> <p>There are BC plans in place, but work programme will review if these plans are fit for purpose as the Risk Assessment methodology changed and work is now being completed with service areas in relation to their risk levels and focusing on the relevant high-risk areas. Training and roll out is coming and the Overall policy have been reviewed.</p> <p>Business Continuity and Emergency Planning Audits are due as part of 2025/26 Audit Plan.</p>	<p>No.</p> <p>To be reassessed as part of the 2025/26 Business Continuity audit.</p> <p>Stop tracking.</p>
MA: 2.1 Ensure that critical activity response plans are regularly reviewed and up to date. Target Date: 31/12/24 Priority: Medium Responsible Officer: Joanne McClay, Service Manager - Environmental and Regulation	As above	<p>No.</p> <p>To be reassessed as part of the 2025/26 Business Continuity audit.</p> <p>Stop tracking.</p>

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
AUDIT: Transformation Programme 2023/24		
<p>MA: 1.1 All spend, and financial benefits realised will be tracked at project, workstream and programme level as part of the benefits tracker that will be in place at the outset of implementation when the programme team is established.</p> <p>Target Date: 31/7/24 Priority: Medium Responsible Officer: Rebecca Drummond, Assistant Director - Transformation</p>	<p>When the original audit was completed, there was no team in place. This team is now in place and the Manager joined September 2024. Original agreed dates were unrealistic for delivery upon reflection by the Team.</p> <p>The mobilisation phase is now coming to an end. Foundation pieces have been delivered, but benefit pieces are not there yet. A Benefits tracker is in place.</p> <p>In light of LGR and subsequent impact upon the Transformation Programme, the original financial benefits will not be delivered, and this was communicated to Members.</p> <p>A Revised strategy and business case is to be presented. These measures are valid but need to be re-aligned to current expectations and priorities.</p> <p>Transformation is in the Audit plan for 2025/26.</p>	<p>No.</p> <p>To be reassessed within 2025/26 Transformation Programme Audit.</p> <p>Stop tracking.</p>
<p>MA: 2.1 Reporting framework including success measures and associated KPIs will be established, with each project having clearly articulated objectives, benefits and success measures captured at its inception. To be established by programme team.</p> <p>Target Date: 31/7/24 Priority: Medium Responsible Officer: Rebecca Drummond, Assistant Director - Transformation</p>	<p>As above</p>	<p>No.</p> <p>To be reassessed within 2025/26 Transformation Programme Audit.</p> <p>Stop tracking.</p>

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
MA: 3.1 Lessons learnt to be established as part of project and programme governance and regularly reviewed to ensure mitigation or alternative actions can be taken to deliver desired outcomes. To be established by programme team. Target Date: 31/7/24 Priority: Medium Responsible Officer: Rebecca Drummond, Assistant Director - Transformation	As above	No. To be reassessed within 2025/26 Transformation Programme Audit. Stop tracking.
AUDIT: Accounts Payable 2023/24		
MA: 1.3 Review user guide and training procedures for purchase coordinators. Target Date: 31/3/25 Priority: Medium Responsible Officer: Paul Whittles, Assistant Director – Finance.	The accountant has been on maternity leave and this action was not picked up in her absence. This is to be added back into the workplan but with a revised date of 31/03/2026.	No. Still relevant with new target date agreed 31/03/26 Continue tracking.
AUDIT: Animal Welfare Licensing 2023/24		
MA: 1.2 Determine the approval route for the policy and take appropriate steps to progress this for sign off. Target Date: 31/12/24 Priority: Low Responsible Officer: Joanne McClay, Service Manager - Environmental and Regulation	The Policy has been reviewed, and minor amendments completed. A decision record to be completed by the Portfolio Holder is still outstanding. This is identified as a Low-risk action as all procedure notes follows DEFRA set guidelines, but the teams' resource hasn't allowed for completion of the Officer Decision Notice as reactive works within this area are always a priority.	No. Still relevant with new target date agreed 30/09/25. Continue tracking.

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
AUDIT: Housing Rents Reconciliation 2023/24		
<p>MA: 3.2 Supplier is working on void reporting functionality and other reporting per the initial scoping document. A number of reports are in testing environment and this project is being actively managed to ensure reporting is appropriate and functions as expected, to include reporting that should replicate and replace some parts of the process in 3.1</p> <p>Target Date: 30/9/24</p> <p>Priority: High</p> <p>Responsible Officer: Sophie Tuffin, Service Manager - Housing Maintenance Programmes and Servicing</p>	<p>There have been issues with the suppliers, but a potential work around has been created. It would be better for the team if all information came from one report, but the suggested work around should enable two reports to be produced and complete this action. The team's focus is on this project and they are confident this will be completed by revised date.</p>	<p>No</p> <p>Still relevant with new target date agreed 30/06/25.</p> <p>Continue tracking.</p>
AUDIT: Risk Management 2022/23		
<p>M.A 5.2 An opportunity for a system log to be implemented within the Council's Learning Management System</p> <p>Target Date: 31/3/25</p> <p>Priority: Medium</p> <p>Responsible Officer: James Clarke, Insurance and Risk Officer</p>	<p>Discussions with HR team have determined that a system log within the Council's learning system is achievable, which was the requirement of the management action. Further investigation showed that as this is only one-off training completed by new joiners and not an annually completed training requirement there is no value in moving this forward.</p>	<p>Yes</p> <p>Original action complete</p>
<p>MA: 3.1 The Policy does not mention inherent and residual risk and how these are to be defined. The revised Risk Management Policy to be taken to Audit Committee in January 2025.</p> <p>Target Date: 1/4/25</p> <p>Priority: Medium</p> <p>Responsible Officer: Paul Whittles, Assistant Director – Finance.</p>	<p>This action is no longer applicable due to the implementation of the new Principal Risk Register and revised Risk Management Policy.</p>	<p>No.</p> <p>Superseded – Action no longer required.</p> <p>Stop tracking.</p>

Management Action	Follow Up Position – NFDC Officer Update	Implemented (Y/N)
MA: 4.2 For Service Risk Registers format to align with the Strategic Risk Registers. Target Date: 1/4/25 Priority: High Responsible Officer: Paul Whittles, Assistant Director – Finance.	This action is no longer applicable due to the implementation of the new Principal Risk Register and revised Risk Management Policy.	No. Superseded – Action no longer required. Stop tracking.

5. Next steps

EMT have considered and agreed that:-

- the original, outstanding actions in relation to Engineering Works, Business Continuity and Transformation Programme – Governance arrangements are written off, will no-longer be tracked through to completion as they currently stand, and will be re-evaluated and agreed within the corresponding 2025/26 Audits.
- where the original actions are still relevant and revised timescales have been provided, these will continue to be tracked through to completion.
- no further action is required in relation to Appletree Holdings and any future requirements will be identified within BAU procurement processes.
- no further action is required in relation to Risk Management due to the change in approach following the implementation of the principal risk register in line with the revised Risk Management Policy.

Review of outstanding management actions

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue			Revised target date / comment
							L	M	H	
Fleet Management (follow-up phase 2)	May 23	SM (W&T)	Reasonable	9	0	8		1		30/11/2025
Engineering Works	Aug 23	SM (C)	Limited	10	0	9				Stop tracking 1 action
Commercial Activities – Appletree Holdings	Oct 23	SM (E&V)	Substantial	1	0	0				Stop tracking 1 action
Open Spaces and Playground Safety Checks	Dec 23	G&SM	Limited	12	0	7		5		30/10/2025
Housing Asset Management – Electrical Safety Checks	Feb 24	SM (HM)	Reasonable	8	0	6		2		01/10/2025
Business Continuity	Mar 24	SM (E&R)	Reasonable	2	0	0				Stop tracking 2 actions
Transformation Programme – Governance Arrangements	May 24	ADT	Reasonable	3	0	0				Stop tracking 3 actions
Accounts Payable	Jun 24	FIN	Reasonable	5	0	4		1		31/03/2026
Animal Welfare Licencing	Jun 24	SM (E&R)	Reasonable	6	0	5	1			30/09/2025
Housing Rent Reconciliations	Jul 24	SM (HO)	Reasonable	5	0	4			1	30/06/2025
Risk Management	Dec 24	ADFIN	Limited	14	0	12				Stop tracking 2 actions
Total							1	9	1	

Appendix 1 – Definitions of Assurance Opinions and Management Actions Priority Rating

Assurance Opinion	Framework of governance, risk management and management control
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.

Management Action	Current risk
High Priority	An immediate risk of failure to achieve objectives; system breakdown; or loss. Such risk could lead to an adverse impact on the organisation or exposure to criticism.
Medium Priority	Although not immediate, there is risk of failure to achieve objectives; system breakdown; or loss.
Low Priority	Areas that individually have no immediate risk impact, but where management would benefit from enhanced process/control or efficiencies.

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Audit Committee – 27 June 2025

Code of good governance review – annual report of the Monitoring Officer and Chief Finance Officer in Respect of 2024/25

Purpose	For Review
Classification	Public
Executive Summary	<p>The Council’s Monitoring Officer and the Chief Finance Officer are responsible for annually reviewing the Council’s compliance against the adopted CIPFA/SOLACE Code of Good Governance - “Delivering Good Governance in Local Government Framework 2016” and reporting their findings and recommended actions.</p> <p>It is the view of the Monitoring Officer and Chief Finance Officer that the Council is able to have confidence in the effectiveness of its governance arrangements. This is illustrated throughout the report and by the relatively few areas identified in Appendix 3 for review.</p>
Recommendation	1. The Audit Committee notes the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in Appendix 3
Reasons for recommendation	To support the Council’s compliance with the Accounts and Audit Regulations 2015 by undertaking this key strand of assurance in support of the Annual Governance Statement.
Wards	All
Portfolio Holder	Councillor Jeremy Heron – Finance and Corporate
Strategic Director	Alan Bethune – Chief Finance Officer (S151); Strategic Director of Corporate Resources and Transformation

Officer Contact	<p>Matt Wisdom Monitoring Officer; Assistant Director – Strategy and Engagement Telephone Number 023 8028 5072 Email address matt.wisdom@nfdc.gov.uk</p>
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Introduction and background

1. The Council's Monitoring Officer and the Chief Finance Officer are responsible for annually reviewing the Council's compliance against the adopted CIPFA/SOLACE Code of Good Governance - "Delivering Good Governance in Local Government Framework 2016" and reporting their findings and recommended actions. This review provides one of the assurance strands in support of the Annual Governance Statement, required under the Accounts and Audit Regulations 2015.
2. This report brings together the outcomes of the review carried out for 2024/25.

Review of Compliance

3. 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 how to best optimize the achievement of 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.

4. The Council's compliance with the Code has been assessed, and a summary of the findings is detailed in Appendix 1.

5. This assessment also considers progress made against the previous year's (2023/24) Action Plan, which was reported to Audit Committee in May 2024. The reported progress can be found in Appendix 2.
6. The main areas identified for further consideration arising out of this review are summarised below and form part of the action plan at Appendix 3.
 - a. Reporting arrangements in respect of council owned companies
 - b. Changes to internal governance arrangements in support of Transformation and Local Government Reorganisation
 - c. Embedding the new Principal Risk Register
 - d. Improved Budget Information

Corporate plan priorities

7. Good governance supports all corporate plan activity by ensuring the council is positioned to manage risks effectively, ensure openness and comprehensive stakeholder engagement as part of its decision making processes and deliver positive outcomes in terms of sustainable economic, social and environmental benefits. A key strand of the corporate plan and Future New Forest programme is financial responsibility, which is promoted by implementing good practices and robust internal controls through regular review.

Options appraisal

8. The Audit Committee is invited to comment and make observations in respect of the assessment undertaken by the Monitoring Officer and Chief Finance Officer. There are no specific alternative options in respect of the recommendation, which is for noting.

Consultation undertaken

9. Consultation on the review undertaken by the Monitoring Officer and Section 151 Officer has taken place with the Executive Management Team and the Portfolio Holder for Finance and Corporate.

Financial and resource implications

10. Although there are no direct financial implications arising from this report, good governance arrangements provide assurance in respect of financial management.

Legal implications

11. The Council is required by s.3 of the Accounts and Audit Regulations 2015 to ensure that it has a sound system of internal control which:-
 - a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b. ensures that the financial and operational management of the authority is effective; and
 - c. includes effective arrangements for the management of risk.
12. Section 6 of the Regulations provides that the Council must, each financial year:-
 - a. conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - b. prepare an annual governance statement.
13. This report provides an assessment following the review and contributes to the preparation of the Annual Governance Statement.

Risk assessment

14. A formal risk assessment is not required in respect of this well embedded annual activity, which in itself identifies key governance risks and mitigating actions.

Environmental / Climate and nature implications

15. The successful embedding of the Council's new corporate report template has promoted the ongoing consideration of environmental and climate implications through the decision making process.

Equalities implications

16. The successful embedding of the Council's new corporate report template has ensured greater scope to meet the Council's public sector equality duties.

Crime and disorder implications

17. Ethical behaviour in terms of avoiding fraud and corruption is an intrinsic element of good corporate governance and this report provides assurance in that regard.

Data protection / Information governance / ICT implications

18. None arising directly from this report.

Appendices:

Appendix 1 – Summary of the Council’s compliance with its adopted Code of Good Governance for period 2024/25

Appendix 2 – Progress against actions arising from the previous year’s Code of Good Governance Review

Appendix 3 Actions arising from the Code of Good Governance Review 2024/25

Background Papers:

Local Code of Good Governance –
The New Framework March 2017

Summary of the Council's compliance with its adopted Code of Good Governance for period 2024/25

Principle	Assessment of Monitoring Officer and Chief Finance Officer and Evidence
<p>A. How does the organisation behave with integrity, demonstrating strong commitment to ethical values, and respect the rule of law?</p>	<ul style="list-style-type: none"> • Detailed and up to date Constitution on decision making including expected standards of conduct of both Members and officers. • The Council's Key Policy Framework and Budget as referred to and defined in the Constitution provides the strategic framework for the Council. • Sound rules on Procurement procedures and Contract Standing Orders which are regularly reviewed to ensure they are fit for purpose. • Comprehensive Scheme of Delegations and transparent decision-making processes, which were reviewed in 2024/25. • Robust Financial Regulations setting out clear thresholds and procedures for officer and Member decision-making and ensuring probity and openness in decision making, which were reviewed in 2024/25. • Protocols in place for statutory Chief Officers in carrying out their functions. • Statutory officers regularly meet in their statutory capacity to ensure good governance and legality of decision making, as well as robust financial management and to monitor and review ethical governance issues as they arise. • Member and Officer Codes of Conduct are in place, as well as established and robust corporate and Member complaints procedures. The corporate complaints procedure continues to embed compliance with the revised Housing Ombudsman and Local Government and Social Care Ombudsman statutory codes. • Register of Gifts and Hospitality for Members and Officers. • Up to date whistleblowing policy, equality & diversity and data protection/information governance training modules in place. • The Regulator for Social Housing has legislated for and published a series of consumer standards for social housing landlords to adhere to from April 2024. The council's housing service has a delivery and oversight programme

	to ensure its tenants receive improved outcomes from the delivery of this work.
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<p>B. How does the organisation ensure openness and comprehensive stakeholder engagement?</p>	<ul style="list-style-type: none"> • Community Forum including Parish Councils meeting regularly and Chief Executive meeting with Town and Parish Council clerks. • Complaints reporting and engagement with complainants, including new reporting framework to the executive Members responsible for complaints monitoring. • Regular updates to the planning statement of community involvement. • New Customer Strategy with a focus on resident and stakeholder needs. • Consultation on specific strategies and policies. • Well established overview and scrutiny panels open to the public. • Council's website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers; meetings streamed live on YouTube and recordings available on the Council's website; public able to make representations at planning and panel meetings. • FOI/Access to Information policies in place and sound system for dealing with requests for information and good emphasis on compliance with deadlines. • Ongoing compliance with the requirements to publish information proactively including by compliance with the Transparency Code; Annual Financial Report and Annual Governance Statement published. • Publication and delivery of a new Tenant Engagement strategy promoting wider engagement and co-production opportunities to tenants, as well as a tenant representative now co-opted to the Housing Overview & Scrutiny Panel • Annual survey of tenants to record satisfaction with the council's housing landlord service • Use of digital engagement tools to consult on strategy delivery • Community Safety engagement events held each year in main population centers around the district • Use of social media and engagement with comments from residents
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<p>C. How does the organisation define outcomes in terms of sustainable economic, social and environmental benefits?</p>	<ul style="list-style-type: none"> • The Council has an adopted comprehensive Corporate Plan from which deliverable and specific service objectives are clearly prioritised and defined. They are kept under review in view of emerging external factors, such as local government reorganisation. • Climate Change and Nature Emergency Action Plan • Local Plan policies and through development of new local plan • New performance management framework has incorporated processes for ensuring outcomes are linked to Corporate Plan objectives and defined in terms of economic, social and environmental benefits by link to those specific benefits set out in the Corporate Plan – “People, Place, Prosperity”. • Key Performance Indicators clearly defined. • The Greener Housing Strategy commits the Council to a programme of positive changes to reduce carbon emissions • Grant awards from Central Government for the delivery of specific work to council owned social housing • New Air Quality Strategy and action plan • New Christchurch Bay and Harbour Flood and Coastal Erosion Management Strategy. • The Procurement Strategy and gateway process.
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<p>D. How does the organisation determine how to best optimise the achievement of intended outcomes</p>	<ul style="list-style-type: none"> • Programme approach embedded into strategic priorities such as the implementation of the Waste Strategy, alongside associated key service changes. • Review of Community Grants process to embed alignment with Corporate Plan. • The adopted Corporate Plan and revised performance management framework set out the clear strategic objectives of the Council and the way in which these outcomes will be further defined, planned and achieved through the delivery of key strategies, policies and work plans. • Corporate Peer Challenge outcomes developed into an action plan alongside key revisions to Corporate Plan, Transformation Strategy and the regular reporting of action plan and progress through EMT. • Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Panels in place with stakeholder engagement also achieved through bespoke Task and Finish Groups. • Clear decision-making protocols in place. • Regular Medium Term Financial Planning sets overall context of financial challenges. Risk Register sets overall context for risk management. • Service planning linked to individual Performance Plans and appraisals; regular team meetings and 121s. • Officer governance including Executive Management Team and Corporate Change Board and Leadership Team.
<p>E. How does the organisation develop the entity's capacity, including the capability of its leadership and the individuals within it?</p>	<ul style="list-style-type: none"> • Member Development reviewed, including survey of Members to shape next phase of development which includes the theming of training opportunities and a new Overview and Scrutiny Panel Member training package. • Good use of Task and Finish Groups to utilise 'Back Bencher' Members on bespoke projects/issues. • Leadership Development work continued throughout 2024/25, engaging the organisation's senior leadership team and all managers across the Council, to ensure a skilled and consistent approach to people management. • Learning Management System continues to be embedded to ensure training opportunities are identified and monitored. • Separate Directorate Training budgets aligned to key strategic deliverables and

	<p>staff personal development reviews continue to deliver programmes to develop staff .g. Prince2 project management</p> <ul style="list-style-type: none">• Ahead of the Regulator of Social Housing's competency standard being formally adopted the council has committed to a programme of qualifications for housing staff
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<p>F. How does the organisation manage risks and performance through robust internal control and strong public financial management?</p>	<ul style="list-style-type: none"> • Development of new Risk Management approach, aligned to service plans and the emerging new Principal Risk Register, as well as ongoing maintenance of Service Risk Registers. Strategic/Principal risks are kept under regular review and reported to overview and scrutiny panels by virtue of the portfolio performance dashboards. • Financial Regulations have undergone extensive review in recent times to ensure they are suitable and fit-for-purpose. Robust financial procedures ensuring probity and openness in making decisions. Detailed Medium Term Financial Planning and Financial Monitoring reporting throughout the year. Suitable level of expertise within the finance and audit functions. External Audit of Annual Financial Report including value for money opinion. Risk based internal auditing service/planning, with progress regularly reviewed by the Audit Committee. Key strategies and policies in place; Anti-Fraud and Corruption Strategy; Information Governance Policy; Information Asset Register; ICT Security Policy; GDPR Action Plan. • Annual and six monthly housing and corporate asset compliance report and related governance structures in place, for example fire safety steering group and statutory compliance board. • The Council's three statutory officers meet on a regular basis to ensure openness and awareness of matters arising including corporate risks and performance, demonstrating strong collective management. • The Housing Service is an area of key financial and safety compliance risk and has a structured oversight approach to monitor and manage key performance measures and work programmes to ensure risk mitigation, compliance and robust financial management • Housing Revenue Account 30 year business plan
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<p>G. How does the organisation implement good practices in transparency, reporting and audit to deliver effective accountability?</p>	<ul style="list-style-type: none"> • Well established reporting to Cabinet, Audit Committee and Overview and Scrutiny Panels. Council website includes published calendar of meetings, including agendas, minutes and key decisions of both members and officers. • Transparency pages on website gives information on contracts, payments to suppliers, access to information and other useful information in line with the Local Government Transparency Code 2015 requirements. • Clear decision making protocols and updated Scheme of Delegation so that accountability for decisions is clear. • A new corporate report template and review of the officer scheme of delegation has promoted the effective completion of impact assessments and implications arising from decision making. This includes financial responsibility and accountability understood by senior management and members alike. • Auditors prepare and present independent Annual Opinion Report, and regular updates on audit plan progress. • Sound and suitably resourced internal audit service. • Detailed Medium Term Financial Planning and Financial Monitoring reporting throughout the year. • Regular financial updates provided by Finance Service to accountable officers. • Greater transparency in annual reporting of housing compliance matters in place. • Annual Governance Statement reviewed by Audit Committee and external audit. • The provision of Internal Audit Services, through the Southern Internal Audit Partnership (hosted by Hampshire County Council), is well embedded. • Action plans published to identify gaps in service or project delivery to support strategic and project outcomes
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APPENDIX 2

Progress against Actions arising from the previous year's Code of Good Governance Review

Topic	Responsible Officer	Deadline	Follow up status
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.	Monitoring Officer	September 2024	Complete. The new corporate report templates were implemented in September 2024 and a Corporate Governance Internal Audit found that all reports audited complied with the provisions of the new template, leading to substantial assurance.
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.	Monitoring Officer and S151 Officer	December 2024	Complete. New thresholds introduced to ensure efficient and accountable decision making, with the Council's Constitution updated to reflect these new arrangements and revised key decision definitions.
Implementation of 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.	S151 Officer	Autumn 2024	Complete. New Performance Management Framework adopted with clear links to service plans, which are now prepared annually each Autumn.

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.	Monitoring Officer and S151 Officer	December 2024	Complete. New Risk Management Framework adopted including new Principal Risk Register. Work to continue into 2025/26 to ensure the new updating and reporting requirements as outlined in the updated framework are properly embedded.
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.	S151 Officer	December 2024	Engagement between the Service Accountancy team and Budget Responsible Officers (BROs) remains strong, but training and the ability for BROs to self-serve for up to date financial information can still be improved and was not sufficiently moved forward during 2024/25.

APPENDIX 3

Actions arising from the Good Governance Review 2024/25

Topic	Responsible Officer	Deadline
Reporting arrangements in respect of council owned companies	Monitoring Officer / Section 151 Officer	December 2025
Changes to internal governance arrangements in support of Transformation and Local Government Reorganisation	Monitoring Officer / Section 151 Officer	December 2025
Embedding the new Principal Risk Register following adoption	Section 151 Officer	March 2026
Improved Budget Information - opportunities for improvements to self-serve functionality will be explored, as will enhanced pro-active training for existing system use for Budget Responsible Officers	Section 151 Officer	March 2026

Audit Committee – 27 June 2025

Draft annual governance statement 2024/25

Purpose	For Review
Classification	Public
Executive Summary	<p>As prescribed by the Account and Audit Regulations 2015, regulation 13, the Council is required to produce an Annual Governance Statement (AGS) following an assessment of its governance framework.</p> <p>The AGS reports that the Council has sound levels of internal control and good governance arrangements. It does identify some areas for improvement, at the action plan in schedule 1 of the statement, and these will be managed by the Council's Executive Management Team.</p>
Recommendation(s)	1. The Audit Committee approves the draft Annual Governance Statement for the Financial year ended 31 March 2025 as reported in Appendix 1.
Reasons for recommendation	To support the requirements of the Account and Audit Regulations, and to provide assurance that the Council has sound levels of internal controls and good governance arrangements.
Wards	All
Portfolio Holder	Councillor Jeremy Heron – Finance and Corporate
Strategic Director	Alan Bethune – Chief Finance Officer (S151); Strategic Director of Corporate Resources and Transformation
Officer Contact	<p>Matt Wisdom Monitoring Officer; Assistant Director – Strategy and Engagement Telephone Number 023 8028 5072 Email address matt.wisdom@nfdc.gov.uk</p>

Introduction and background

1. As prescribed by the Account and Audit Regulations 2015, regulation 13, the Council is required to produce an Annual Governance Statement (AGS) following an assessment of its governance framework.
2. The Leader of the Council and the Head of Paid Services (Chief Executive) are required to sign the AGS and be satisfied that the document is supported by reliable evidence. It will be published with the Annual Financial Report and provided to the External Auditor for review.

The Annual Governance Statement (AGS)

3. The Statement seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. There is a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
4. In compiling the Statement, the Council has regard to its Internal Control arrangements including the outcomes of the annual Good Governance Review, risk registers, any external auditor reports and other management arrangements. It further considers the process applied in maintaining and reviewing the governance framework including the authority itself, the executive, audit/scrutiny committees and other assurance mechanisms.
5. Whilst the Council maintains high standards of governance and internal control, some areas for improvement have been identified by the review process mentioned above. These have been reported in the AGS. An Action Plan has been developed accordingly and this will be monitored by the Council's Executive Management Team and Audit Committee.
6. Whilst the AGS covers the period 1st April 2024 to 31st March 2025, the document remains open for update until it is approved in line with the final sign off of the 2024/25 annual financial report and can make reference to any significant matters that arise.
7. The Statement has been reviewed by the Executive Management Team. The draft AGS for 2024/25 is attached in Appendix 1.

8. For Members' reference, and to support this covering report, an update as against the 2023/24 AGS action plan is provided at Appendix 2.

Corporate plan priorities

9. Good governance supports all corporate plan activity by ensuring the council is positioned to manage risks effectively, ensure openness and comprehensive stakeholder engagement as part of its decision making processes and deliver positive outcomes in terms of sustainable economic, social and environmental benefits. A key strand of the corporate plan and Future New Forest programme is financial responsibility, which is promoted by implementing good practices and robust internal controls through regular review.

Options appraisal

10. The Audit Committee is invited to review and approve the AGS. The alternative of not approving is not recommended, given the reasons for the recommendation, in support of the Council's compliance with the requirements of the Account and Audit Regulations.

Consultation undertaken

11. Consultation on the AGS has been undertaken with the Executive Management Team, prior to Audit Committee's consideration.

Financial and resource implications

12. There are no financial implications arising directly from this report.

Legal implications

13. As the report identifies, the Annual Governance Statement is a prescribed activity within the Account and Audit Regulations 2015.

Risk assessment

14. A formal risk assessment is not required in respect of the Annual Governance Statement. The statement in itself forms part of the council's overall approach to risk management.

Environmental / Climate and nature implications

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

Equalities implications

16. There are no equalities matters arising directly from this report.

Crime and disorder implications

17. Ethical behaviour in terms of avoiding fraud and corruption is an intrinsic element of good corporate governance and this report provides assurance in that regard.

Data protection / Information governance / ICT implications

18. None arising directly from the report.

Appendices:

Appendix 1 – The Draft Annual Governance Statement

Appendix 2 – Update on 2024/25 Action Plan

Background Papers:

Delivering Good Governance in Local Government Framework 2016

**THE DRAFT ANNUAL GOVERNANCE STATEMENT
NEW FOREST DISTRICT COUNCIL
2024/25**

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 through a period of uncertainty brought about by Local Government Reorganisation, and at a time of financial constraint.

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 specific General Fund and HRA 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 2024/25 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, and the housing service and NHS mental health services. During 2024/25, 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 newly reviewed and revised scheme of delegations to officers to ensure timely, appropriate and accountable 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. Both the Financial Regulations and the Contract Standing Orders were updated

during 2024/25, to support appropriate financial thresholds in decision making, and to comply with the changes brought about by the Procurement Act 2025.

The Constitution was reviewed during 2022/23 and the new version came into effect following the 4 May 2023 elections. It was further updated in 2024/25 to ensure alignment with the changes to the Financial Regulations.

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. A new Principal Risk Register was adopted in 2024/25 to support the alignment of corporate risks with emerging service risks.

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.

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.

A significant undertaking throughout 2024/25 was the Council's preparation for the roll out of the adopted waste strategy, including the first transfer to the use of wheeled bins. A member-led programme board was established and met regularly, supported by officer-led steering groups. The statutory officers were well consulted throughout the year, with specific updates focussed on the review of working practices, to ensure the contracted terms and conditions of the waste operatives were aligned to, and reflective of the significant change in frontline service delivery.

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 2024/25 are included below:

A number of Council policies/strategies were reviewed or new plans/policies/strategies implemented including:

- Updated Corporate Plan
- Updated Financial Regulations
- Updated Contract Standing Orders
- Performance Management Framework and Key Performance Indicators
- Strategic Risk Management Framework and Principal Risk Register
- Housing Delivery Action Plan
- Customer Strategy
- Christchurch Bay and Harbour Flood and Coastal Erosion Management Strategy
- Community Infrastructure Levy Framework
- Air Quality Strategy
- Tenant Engagement Strategy
- Domestic Abuse Strategy
- ASB and Neighbourhood Management Strategy

The Council's Executive Management Team (EMT) changed at the end of 2024/25. The Council's previous Assistant Director – Governance (Monitoring Officer) retired in May 2025 which resulted in the creation of an Assistant Director position for Strategy and Engagement (Monitoring Officer) and a Service Manager for Legal and Information Governance (Deputy Monitoring Officer). Both positions were filled internally enabling a smooth transition, with appropriate capacity and expertise put in place for the Monitoring Officer function from both a governance and legal perspective.

The Council's overview and scrutiny arrangements remain in place following the formation of the new Council in May 2023. The 3 Overview and Scrutiny panels have clear alignment and terms of reference to the Council's three Strategic Directors.

The responsibility of Section 151 functions (a statutory role) sits with the Strategic Director for Corporate Resource & Transformation. The Assistant Director, Strategy and Engagement 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, prior to

any decisions being made. The Council's Deputy Monitoring Officer (who is also a solicitor) and the legal services team are engaged as a consultee on all reports through the adoption of the Council's new corporate report template which was reviewed in 2024/25. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.

The new corporate report template provides a focus for considering relevant implications and impact assessments in all formal decision making, including Portfolio Holder and officer decisions. The Council's compliance with the public sector equality duty is more readily evidenced through the consistent consideration of equalities implications. With a climate and nature emergency action plan, environmental implications are also more readily considered through the use of the template.

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 Service Manager for Legal and Information Governance (Deputy Monitoring Officer), who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification. The Service Manager has direct access to EMT and Statutory Officers, including through the Deputy Monitoring Officer role.

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.

Work to improve the knowledge and understanding of the new Regulator of Social Housing's Consumer Standards, as legislated by the Social Housing Regulation 2023 (implemented from April 2024), continue with a focus on member development and a series of reports designed to make transparent the work achieved to date and the gaps still to deliver against these standards. This oversight also includes the regular reporting of housing compliance data and Tenant Satisfaction Measure (TSM) results.

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 2025/26 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 (CCB) met monthly throughout 2024/25 and provided oversight and scrutiny of Capital projects, as well as tracking their delivery to ensure necessary progress. This Board also considered 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. To

ensure appropriate focus and capacity on both Transformation and Capital oversight, as well as now Local Government Reorganisation, the CCB has been re-focussed, with a new combined board focusing on Transformation and LGR, and a separate board being established for Capital Project oversight.

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. A comprehensive review of the Member Development offer was undertaken during 2024/25, including direct feedback from Members. This has shaped the next phase of Member Development, which includes the theming of training opportunities and a particular focus on Overview and Scrutiny.

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). Following the light-touch review of the Council's Financial Regulations during 2023/24, a more significant review was undertaken during 2024/25 which included the review of financial decision-making thresholds to support efficient and accountable decision making.

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 further developed during 2024/25 and are considered at each meeting of the respective panels, providing transparency of performance and risks to service delivery.

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.

The Council's Strategic Risk Register was continually reviewed during 2024/25, and Cabinet received six-monthly updates. The Council's approach to risk management underwent review as a result of the constantly changing national and international situation, resulting in the development of a new Risk Management Framework and a Principal Risk Register.

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.

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.

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.

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.

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).

Internal Audit has reported a 'Reasonable' opinion on the overall control environment. Four limited assurance audit opinions were given, with management actions regularly reported back to the Committee throughout 2024/25. Monitoring of progress against the management actions associated with all audits will continue into 2025/26.

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 the annual update report was presented to members of the Housing & Communities Overview and Scrutiny Panel during the financial year, with regular reporting shared with all councillors through internal webpages.

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 last reported on the Financial Management Code to the Audit Committee in March 2023 and it will be re-visited during 2025/26.

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 25/26 (Schedule 1):

1. To review reporting arrangements in respect of council owned companies, to ensure the Cabinet, as shareholders, have appropriate oversight.
2. To review the effectiveness of new governance arrangements in support of Capital, Change, Transformation and Local Government Reorganisation.
3. To embed the new Principal Risk Register as a key component of the Council's adopted Risk Management Framework, ensuring alignment with emerging service risks. To include appropriate procedures and clarity of accountability regarding the review of service risks at directorate level and escalation process to principal level.
4. To consider opportunities for improvements to self-serve functionality, as well as enhanced pro-active training for existing system use for Budget Responsible Officers using the Council's financial systems.
5. To re-visit the Financial Management Code assessment.

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 2025 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: *Signed:*

Leader of the Council **Chief Executive**

Date: *Date:*

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Schedule 1

Annual Governance Statement Action Plan for 2025/26

Heading	Update / Action	Responsible	Target
Reporting arrangements in respect of council owned companies	To review reporting arrangements in respect of council owned companies, to ensure the Cabinet, as shareholders, have appropriate oversight.	S151 Officer / Monitoring Officer / Service Lead	December 2025
Changes to internal governance arrangements in support of Transformation and Local Government Reorganisation	To review the effectiveness of new governance arrangements in support of Capital, Change, Transformation and Local Government Reorganisation.	Monitoring Officer and S151 Officer	December 2025
Embedding the new Principal Risk Register following adoption	To embed the new Principal Risk Register as a key component of the Council's adopted Risk Management Framework, ensuring alignment with emerging service risks. To include appropriate procedures and clarity of accountability regarding the review of service risks at directorate level and escalation process to principal level.	S151 Officer	March 2026
Improved Budget Information	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.	S151 Officer	December 2025

Financial Management Code assessment	To revisit the requirements of the Code for 2025/26.	S151 Officer	March 2026
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APPENDIX 2**Annual Governance Statement update on 2024/25 action plan**

The following table is provided to confirm actions as against the 24/25 action plan. It is not a core part of the 24/25 Annual Governance Statement (appendix 1).

Heading	Update / Action	Responsible
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. Action: COMPLETE	S151 Officer and Monitoring Officer
Officer Scheme of Delegation and Financial Regulations	The Officer Scheme of Delegation and Financial Regulations will be reviewed during 2024/25 Action: COMPLETE	S151 Officer and Monitoring Officer
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 Action: COMPLETE	S151 Officer and Monitoring Officer
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.	S151 Officer and Monitoring Officer

	<p>Action: COMPLETE</p> <p>Note - Work to continue into 2025/26 to ensure the new updating and reporting requirements as outlined in the updated framework are properly embedded.</p>	
Improved Budget Information	<p>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.</p> <p>Action: IN PROGRESS</p> <p>Note - Engagement between the Service Accountancy team and Budget Responsible Officers (BROs) remains strong, but training and the ability for BROs to self-serve for up to date financial information can still be improved and was not sufficiently moved forward during 2024/25. Work to continue into 2025/26.</p>	S151 Officer
Contract Standing Orders	<p>The Council's Contract Standing Orders will be reviewed during 2024/25</p> <p>Action: COMPLETE</p>	S151 Officer and Monitoring Officer

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Audit Committee – 27 June 2025

Annual Fraud report 2024/25

Purpose	For review
Executive Summary	This annual report to the Audit Committee provides a summary of activities and outcomes relating to the prevention and detection of fraud.
Recommendation(s)	That Audit Committee note the contents of this report
Reasons for recommendation(s)	That the Audit Committee note the work being undertaken to support our Fraud Strategy and commitment to reducing fraud and error.
Portfolio Holder(s)	Cllr Jeremy Heron, Finance and Corporate
Strategic Director(s)	Richard Knott - Strategic Director Housing and Communities
Officer Contact	Ryan Stevens Service Manager – Revenues, Benefits and Customer Services Ryan.stevens@nfdc.gov.uk

Introduction and background

1. The Council is committed to preventing and detecting fraud and will act openly and forcefully in response to allegations or evidence of dishonesty. This report provides an update of the fraud activities for 2024/25.
2. In response to referrals the Corporate Fraud and Compliance Officer (0.75 FTE) supported the Revenues, Benefits and Housing teams with investigations during 2024/25. This role seeks to promote fraud and error awareness throughout the council. The role is also responsible for the annual Housing Benefit Assurance Process and working with external auditors as part of the Housing Benefit

Subsidy claim, whereby a sample of claims are thoroughly checked and reconciled to the subsidy claim.

Fraud referrals

3. In 2024/25 87 fraud referrals were received relating to entitlement to Housing Benefit, Council Tax Reduction and Single Person Discount, as well as Housing tenancy. Referrals can be received through different channels, including via our website, by phone to our dedicated line, internally from staff, or from the Department for Work and Pensions (DWP). A summary of the types of referrals received is shown in the table below:

Service	Type of referral	No of referrals	Ongoing cases	Closed cases
Benefits (inc. Housing Benefit, Council Tax Reduction and Universal Credit)	Living together	22	4	18
	Undeclared capital	6	3	3
	Undeclared earnings or pensions	15	1	14
	Household composition	9		9
	Living elsewhere	9	1	8
	Disability/Other	4		4
Housing	Right To Buy	1		1
	Housing Tenancy	2	1	1
Revenues	Council Tax - Single Person Discount	17	1	16
Other	Internal	2	0	2
	Total Referrals	87	11	76

4. Following our investigations there has been:

- a total of £61,875.46 identified in Housing Benefit overpayments
- a total of £21,008.13 identified in Council Tax Reduction non-entitlement.
- one £70.00 Civil Penalty issued
- two warning letters have been issued
- working with DWP has resulted in a successful prosecution with a 12-month Community Order with 100 hours unpaid work and costs.

- two Council Tax Single Person Discounts were removed which resulted in an increase of Council Tax income of £733.67.
5. Allegations of Housing fraud were received and investigated, working jointly with Housing. These investigations have resulted in:
 - three Council properties, one 1-bedroom property, one 2-bedroom property and a 3-bedroom property, being returned to the Council, bringing these properties back into use for households on the housing register. Two of the properties have been allocated to a single person and a family of 5 persons respectively, and the third property is currently being advertised.
 6. We also worked with other local authorities on joint investigations following allegations and sent referrals to the DWP where there were allegations relating to entitlement to Universal Credit.
 7. Two internal investigations were undertaken, working alongside Human Resources. On conclusion of the investigations there was no fraud identified, with both relating to procedural matters which have subsequently been reviewed and improved.

Joint working with the Department for Work and Pensions (DWP)

8. The Council works in partnership with the Department for Work and Pensions (DWP) on joint investigations, for example entitlement to Universal Credit, and prosecutions whereby Council Tax Reduction fraud will be included along with DWP benefit fraud. This is voluntary for local authorities, but mandatory for the DWP where the local authority signs-up.
9. As any Council Tax Reduction overpayment will be included with all DWP overpayments, this may increase the likelihood of a sanction or prosecution. There will be no cost to the council where there is a prosecution.
10. The partnership with the DWP has resulted in a joint successful prosecution for Housing Benefit and Council Tax Reduction this year, with a 12-month Community Order Issued with 100 hours unpaid work for the convicted party. There are potentially a further three prosecution cases under investigation where the Council is supporting the DWP.

National Fraud Initiative

11. The Council partakes in the Cabinet Office National Fraud Initiative (NFI) which is a biennial exercise that matches data within and between public and private sector bodies to prevent and detect fraud. There is a legal obligation to supply data but not to undertake the exercise. The Council supplied the Cabinet Office with data in September 2024 with the matched data being released in January 2025.
12. The NFI matches data from Housing tenants, Housing registers, Council Tax Reductions, payments to suppliers, payroll data and Council Tax data. Tenancy data could indicate if a tenant holds two Local Authority tenancies or addresses. Council Tax data could highlight where a taxpayer receiving a single person discount is no longer the sole occupier of a property. Council Tax Reduction matches could highlight undeclared income, pensions or capital, and payment data may indicate duplicate payments to suppliers.
13. The 2024/25 National Fraud Initiative returned 1,862 data matches which are currently being reviewed but has already resulted in £4,687 being identified in overpaid Council Tax Reduction, whereby claimants had failed to declare earnings and occupational pensions. Enquiries are also being made as to whether a Council owned property is being used as a main residence by the tenant.

Housing Benefit Award Accuracy

14. The DWP set annual targets for the number of Housing Benefit claims to be fully reviewed as part of their Housing Benefit Award Accuracy initiative. In 2024/25 our target was to review 564 claims, which was exceeded with a total of 593 claims being reviewed. From these reviews there were 56 reductions in entitlement, with overpayments totalling £36,271, and 63 increases in entitlement due to unreported changes in circumstances.

Payments to households

15. The Household Support Fund was administered via an application process to support vulnerable households with housing costs. In developing the application process a fraud risk review was undertaken with recommended actions to mitigate fraud and error, including the supply of bank statements with applications. A sample of Household Support Fund applications were reviewed to ensure compliance and consistency within the applications and no issues were identified in this testing.

Fraud awareness and training

16. Our e-learning training module is completed by staff every two years. In April 2024 the Council's new Learning Management System (LMS) went live which included a new fraud training module for all staff to complete.
17. There is attendance at the Hampshire Fraud Group of local authorities to keep updated on any changes and to discuss training, new initiatives, and good practices.

Fraud risk register

18. As part of promoting a counter fraud culture, and to raise awareness, each service is required to consider and review their fraud risks for their service. This means Service Managers review their service to identify potential risks of fraud and the controls and measures in place to eliminate or mitigate fraud.
19. Service Managers are responsible for reviewing their Fraud Risk Register as part of an annual review process to ensure accuracy and to reflect any changes to service delivery. The review was undertaken in September 2024.

Publicity

20. We continue to publicise fraud where appropriate and let it be known that we act on information shared with us. A press release was issued following the prosecution referred to in paragraph 9.

Other activities

21. We have reviewed our website and have launched our central fraud landing page with links to services, for example Benefits and Housing, to provide information on how to report fraud, as well as information about scams. We will also utilise social media to promote awareness.
22. The Council's Report Fraud e-form which allows residents to report allegations of fraud to the Council was reviewed and updated in 2025 to encompass all types of referrals and make it simpler for residents to complete the form.
23. A new Whistleblowing E-Form was created and made available internally for staff to report concerns of misconduct within the Council. This is now available on the Intranet.

24. We will continue to work with teams to review processes and procedures and to raise awareness of mitigating fraud and error.
25. In 2024 the Southern Internal Audit Partnership (SIAP) undertook an audit of our fraud processes and procedures. This gave a reasonable assurance that there was generally a sound system of governance, risk management and controls in place and gave some minor recommendations, namely minor amendments to existing policies that were already due to be reviewed and updated later in 2024.
26. In line with our commitment to review specific policies every three years, the following policies were reviewed and updated in 2024, and approved by Audit Committee in March 2025:
 - Anti-Fraud, Bribery & Corruption Strategy
 - Whistleblowing Policy
 - Council Tax Support Penalty and Prosecution Policy
27. The updated Anti-Fraud, Bribery & Corruption Strategy and Whistleblowing Policy contained minor amendments and were subsequently communicated to staff via the staff email and stored on ForestNet.

Future activities

28. Recognising that the online e-learning training module may not be suitable for all staff, tailored training will be developed for operational staff as part of their toolbox talks and will be undertaken during 2025/26.
29. As part of meeting the required Housing Consumer Standards, the Housing Service will be supported on evidencing the measures to prevent fraud.
30. A targeted review of council tax accounts where a single person discount is being awarded.

Options appraisal

31. The purpose of this report is to provide the Audit Committee with a summary of activities and is considered good practice. There are no alternative options for consideration.

Consultation undertaken

32. The report has been reviewed by the Executive Management Team.

Financial and resource implications

33. The Council is committed to preventing fraud and error and to protect the public purse and there are a number of activities and initiatives to support this aim as detailed in this report.

Legal implications

34. There are no legal implications arising from this report. All legal duties and processes are followed.

Risk assessment

35. Risks relating to fraud are included in each services' Fraud Risk Survey which are reviewed annually by Service Managers.

Environmental and climate and nature implications

36. There are no environmental and climate implications arising from this report.

Equalities implications

37. There are no equalities impact arising from this report.

Crime and disorder implications

38. Our recently approved Fraud Strategy confirms our commitment to preventing fraud and where found, appropriate sanctions will be implemented, such as civil penalties and ultimately prosecution.

Data protection, information governance and ICT implications

39. There are no significant data protection implications arising from this report. All referrals are dealt with in confidence and information is only shared with the DWP where relevant and to support an investigation of potential fraud.

Appendices:

None

Background Papers:

None

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Audit Committee – 27 June 2025

Annual report of bad debts and write-offs

Purpose	For Review
Executive Summary	This annual report to the Audit Committee provides a summary of the sums written-off in 2024/25 and the bad debt provisions for each debt.
Recommendation(s)	That Audit Committee note the contents of this report
Reasons for recommendation(s)	That the Audit Committee have awareness of the contents of the report.
Portfolio Holder(s)	Cllr Jeremy Heron, Finance and Corporate
Strategic Director(s)	Richard Knott - Strategic Director Housing and Communities
Officer Contact	Ryan Stevens Service Manager – Revenues, Benefits and Customer Services Ryan.stevens@nfdc.gov.uk

Introduction

1. This report is an annual report to inform Members of the total bad debts written-off during the financial year 2024/25.
2. The Council collects Council Tax, Business Rates, Sundry Income, Rent and Parking Charges and every effort is made to collect all sums by the most appropriate and efficient method. It is Council policy to take all practical steps to recover debts, including proactively working with households to provide support, advice and information, and we always encourage those in arrears to contact us so we can discuss their situation and circumstances. We continue to refer to, and work with, Citizens Advice New Forest.
3. The Council's accounting systems provide automated recovery procedures for the collection of the debts, followed where applicable, by appropriate recovery, and all methods of recovery are considered and where appropriate pursued in line with legislative provision before recommending that debts are written-off, for example enforcement agents, tracing services and through the court. Writing-off a debt is the

last resort after all avenues of recovery have been exhausted.

4. This report is prepared in accordance with the policy for write-offs approved by Council.

Write-offs

5. Debts have been written-off in the following services during 2024/25:
 - Council Tax
 - National Non-Domestic Rates (NNDR)
 - Housing Benefit
 - Sundry Income
 - Housing and Garage Rents
 - Parking Penalty Charges
 - Stores
6. The need to write-off debt can arise for a number of reasons, including:
 - Abscond
 - Liquidations and bankruptcies
 - Deceased
 - Small balances
 - Enforcement Agent unable to collect/levy
 - Foreign Vehicles
7. The total debt written off for 2024/25 was £1,422,912 (£995,619 for 2023/24). This represents 0.44% of the total income collected in 2024/25 of £317,287,000 (0.34% for 2023/24). Although some debts are written-off in 2024/25 they are not necessarily related to this year and are arrears from previous years due to the timescales involved in pursuing recovery of the debt, for example council tax, where the debt may be from a previous year, or years, and recovery has been exhausted.
8. The total written-off by each service is detailed in Appendix 1, with Appendix 2 providing comparison values for 2023/24. The appendix also includes the average value of the amount written-off, the write-off as a percentage of annual income collected, and examples of write-offs criteria.

Write-ons

9. Write-ons are credited where debtors have overpaid and they cannot be traced. All reasonable avenues are explored prior to the credit being written back on. Housing Benefit write-ons are where a previous Housing Benefit overpayment debt which has been written-off is reversed to recover the amount.

10. The table below details the service and the value of accounts that have had a credit on an account which has been written-on, together with comparative figures for 2024/25. The increase in National Non-Domestic Rates write-ons is due reviewing historic accounts and being unable to trace the business.

CATEGORY OF DEBT	2024/25 £	2023/24 £
Council Tax	88,625	75,506
National Non-Domestic Rates	100,642	13,820
Housing Benefit overpayments	Nil	Nil
Sundry Income	776	792
Housing and Garage rents	Nil	3,145
TOTAL	190,043	90,118

Bad debt provisions

11. The Council has made allowances for doubtful debts in the accounts based on what it believes to be a prudent but realistic level of debt collection for each type of debt. For 2024/25, the Council's provision is £5,395,534 million (£3.077 million in 2023/24), as detailed in Appendix 1
12. The total provision made for each type of bad debt write off and the total arrears as at 31 March 2025 is also shown in Appendix 1. Members should note, the total provision figures within Appendix 1 include the NFDC provision as outlined above, plus collection fund provisions which relate to other organisations (i.e. Hampshire County Council).
13. The bad debt provision for council tax and business rates are:

Stage	% for provision
Liability Order	50%
Final	25%
Reminder	10%
Bill	5%

14. For Housing Benefit overpayments, a provision of 100% is made for any debt which is greater than one year and 50% where the debt is being recovered by DWP. Where an overpayment is currently being recovered from ongoing entitlement, the migration to Universal Credit may result in an increase to the bad debt provision, socially as the recovery rates have reduced and there are priority debts which are recovered first.
15. For Sundry Income a provision is made for debts which are greater than one year with an adjusted provision for rent deposit schemes and rent in advance schemes where payment plans often exceed one year, and where we have more information, such as an agreed payment

plan.

16. For existing Housing and Garage tenants a provision is worked out as follows:

Arrears (£)	% of provision
0-100	0
100-250	10
250-500	25
500-750	50
750-1,000	75
1,000+	95

17. A provision of 95% is made for debts of former tenant arrears.
18. Due to the ongoing impact of the cost of living it is expected to be challenging in 2025/26 to recover arrears brought forward from 2024/25, especially with Business Rates where we have seen an increase in insolvency and subsequent debts being written-off in 2024/25.

Authority to approve

19. Service Managers have authority to approve write-offs up to certain limits and the Council's statutory financial officer has authority to approve write-offs of any limit. Details of the current approval limits are shown in Appendix 4.
20. A quarterly report will be provided to the Strategic Director Resources and Corporate Services to detail the write-offs approved.

Options appraisal

21. There are none.

Consultation undertaken

22. There has been none.

Financial and resource implications

23. The Council is committed to maximising collection of sums due and will explore all available means before submitting a debt for write-off.

Legal implications

24. There are no legal implications arising from this report. All legal duties and processes with recovery of debts are followed.

Risk assessment

25. There are no risks relating directly from this report, however it is acknowledged that the impact of the cost of living, economic factors, and reduced court hearing dates for Council Tax and National Non-Domestic Rates, may impact on collection for 2025/26.

Environmental and climate and nature implications

26. There are no environmental and climate implications arising from this report.

Equalities implications

27. There are no equalities impact arising from this report. The recovery of debt is supported by the Revenues and Benefits Fair Collection and Debt Recovery policy.

Crime and disorder implications

28. There are no significant crime and disorder implications arising from this report.

Data protection, information governance and ICT implications

29. There are no significant data protection implications arising from this report.

Appendices:

Appendix 1 - Write-offs in 2024/25
Appendix 2 – Write offs in 2023/24
Appendix 3 – Revenues bad debt workings
Appendix 4 - Write-off authorisations

Background Papers:

There are none

APPENDIX 1 WRITE-OFFS 2024/25								
Category of Debt	Total Write-off	Number of Accounts	Average value of write-off	Annual Income / Turnover	Provision Made 31/3/2025	Arrears balance as at 31/3/2025	Write-off as % of Turnover	Reasons for write-off
	£		£	£	£	£		
Council Tax	398,051	1,016	392	160,401,000	2,516,930	5,996,000	0.2	Abscond, bankruptcy, deceased, enforcement agent unable to collect, other, small balance.
NNDR	553,220	87	6,359	74,885,000	351,850	1,350,000	0.7	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit Overpayments	89,359	162	52	27,682,000	646,310	1,000,000	0.3	Abscond, bankruptcy, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
Sundry Income	239,154	271	882	13,946,000	819,650	4,401,000	1.7	Abscond, bankruptcy, small balance, deceased, uneconomical to pursue.
Housing and Garage Rents	137,705	289	476	35,705,000	1,030,000	1,644,000	0.4	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, old, small balance.
Parking Penalty Charges	5,325	101	53	4,668,000	30,794	89,907	0.1	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores	98							Change in law, obsolete
Total	1,422,912	1,926		317,287,000	5,395,534	14,480,907		

APPENDIX 2 WRITE-OFFS 2023/24								
Category of Debt	Total Write-off	Number of Accounts	Average value of write-off	Annual Income / Turnover	Provision Made 31/3/2024	Arrears balance as at 31/3/2024	Write-off as % of Turnover	Reasons for write-off
	£		£	£	£	£		
Council Tax	363,213	1,902	191	152,269,000	2,425,960	5,669,000	0.2	Abscond, bankruptcy, deceased, enforcement agent unable to collect, other, small balance.
NNDR	274,622	96	2,861	65,219,000	411,440	1,724,000	0.4	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit Overpayments	74,937	305	246	27,386,000	683,120	1,098,000	0.3	Abscond, bankruptcy, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
Sundry Income	130,401	314	415	10,491,000	856,080	3,742,000	1.2	Abscond, bankruptcy, small balance, deceased, uneconomical to pursue.
Housing and Garage Rents	131,867	214	616	31,453,000	850,000	1,233,000	0.4	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, old, small balance.
Parking Penalty Charges	12,841	214	60	3,985,000	23,644	77,943	0.3	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores	7,738							Change in law, obsolete
Total	995,619	3,045		290,803,000	5,260,244	13,543,943		

Revenues bad debt workings

Council Tax Arrears by Recovery Stage			
	Arrears	Provision	Provision
	£'000	%	£'000
At Liability Order Stage	4,978	50	2,489
At Final Notice Stage	63	25	16
At Reminder Stage	490	10	49
At Bill Stage (by deduction)	465	5	23
Total	5,996		2,577
Reduction for Court Cost Arrears			60
Total			2,517

There is a provision for court costs outstanding.

NNDR Arrears by Recovery Stage			
	Arrears	Provision	Provision
	£'000	%	£'000
At Liability Order Stage	508	60	304
At Reminder Stage	333	10	33
At Bill Stage (by deduction)	552	5	28
Total	1,393		365
Reduction for Court Cost Arrears			14
Total			351

Write-off authorisations

SERVICE AREA	SERVICE MANAGER RESPONSIBLE	WRITE OFF / ON CRITERIA	UPPER £ LIMIT PER DEBTOR
Council Tax	Revenues, Benefits and Customer Services	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased Enforcement Agent unable to collect/no goods on which to levy	£10,000
Business Rates	Revenues, Benefits and Customer Services	Bankruptcy/Liquidation/Indiv vol agreement Abscond Small Balance (up to £500) Deceased Enforcement Agent unable to collect/no goods on which to levy	£10,000
Housing Benefit (including Fraudulent cases)	Revenues, Benefits and Customer Services	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased LA Error DWP Error Collection Agency unable to collect	£10,000
Sundry Income	Revenues, Benefits and Customer Services	Bankruptcy/IVA/Debt Relief Order Abscond Small Balance (£500) Deceased Collection Agency unable to collect Uneconomic to pursue through the court	£10,000
Housing Rents	Housing	Bankruptcy/Indiv. Vol. Agreement / Debt Relief Order Abscond Small Balance (up to £500) Deceased Collection Agency unable to collect	£10,000
Garages	Housing	Bankruptcy Abscond Small Balance Deceased	£10,000
Penalty Charge Notices	Street Scene	Bankruptcy Abscond Deceased Bailiff unable to collect/ no goods on which to levy Foreign Vehicle	£1,500
Stores	Building Works	Obsolete stock / Damaged stock Picking Error	£1,500
Estates & Valuations	Estates	Bankruptcy Abscond Small Balance (up to £500) Deceased	£1,500
	Section 151 Officer	Any write off/on including; Partial write offs of live accounts, paying accounts, large balances, any other exceptional reason	No Limit

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Audit Committee – 27 June 2025

Draft Annual Financial Report 2024/25

Purpose	For Decision
Classification	Public
Executive Summary	This report provides Members with the Draft Accounting Statements set out in the Appendices which summarises the Annual Financial Report and updates Members on progress to achieve submission to the external auditor in line with the timetable. It advises members of key issues in the planned report and seeks Member's approval for any changes to accounting policies (if applicable).
Recommendation(s)	<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. That Members note the draft Accounting Statements set out in Appendices 1 - 6 which are a summary of the Annual Financial Report that will be certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 30 June. 2. Approve changes to accounting policies as detailed in appendix 7 affecting: <ol style="list-style-type: none"> a. Depreciation b. Plant, property and equipment and; c. Leases.
Reasons for recommendation(s)	<p>The Council is required to prepare, and have externally audited, an Annual Financial Report for each year and to prepare an Annual Governance Statement.</p> <p>This report seeks delegated authority for the Strategic Director Corporate Resources and Transformation (Section 151 Officer) to</p>

	<p>approve the final Annual Financial Report for 2024/25 and the associated letter of representation and additionally explains the reasons for the approach taken for this financial year's audit.</p> <p>It also provides a brief update on plans for the 2024/25 audit of the accounts.</p>
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	<p>Paul Whittles</p> <p>Assistant Director – Finance</p> <p>02380 285766</p> <p>paul.whittles@nfdc.gov.uk</p>

Introduction and background

1. The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee after completion of the external audit (currently scheduled to take place from October). Prior to submission for audit, it will be signed by the certified Responsible Financial (s151) Officer as complete and presenting the position of the Council, as at 31 March 2025.
2. Current regulations require that the draft statement of accounts is authorised for issue by the 30 June 2025 and the 30-day period for the exercise of public rights must commence by 1 July 2025. The Annual Governance Statement (AGS) must also be approved by 30 June 2025 and published alongside the draft accounts for the period for the exercise of public rights.
3. Committee members are well versed on the position with regards to the revised audit backstop dates to address the significant number of outstanding audits. This authority is now up to date and the external auditor is planning to complete a full audit of the 2024/25 accounts. However, as a 'light-touch' audit was completed for 2022/23, it has previously been advised that the use of disclaimed opinions is likely to re-occur for another couple of audit cycles whilst

assurance on balances is re-established. This is common for a significant number of local authorities.

4. By way of a reminder, audit completion backstop dates proposed by DLUHC are as follows:

2024/25 – 27 February 2026

2025/26 – 31 January 2027

2026/27 – 30 November 2027

2027/28 – 30 November 2028

5. Further to the Council receiving the Audit Completion Certificate pertaining to the 2021/22 financial year from the external auditor on 8 May 2024, the Council has subsequently satisfied the deadlines regarding the 2022/23 and 2023/24 audits.
6. The Council's External Auditor has set out an audit plan for 2024/25 which aligns to the required date as above.

Statement of Accounts Position 2024/25

7. The Council is required to include the following accounting statements within the Annual Financial Report 2024/25:
 - 1a) Comprehensive Income and Expenditure Statement
 - 1b) Expenditure and Funding Analysis (in NFDC management format)
 - 2) Movement in Reserves
 - 3) Balance Sheet
 - 4) Housing Revenue Account
 - 5a) Collection Fund – Council Tax
 - 5b) Collection Fund – Business Rates
 - 6) Cash Flow Statement
8. The draft Accounting Statements for 2024/25, prior to external audit, are set out in Appendices 1 – 6. The Expenditure and Funding Analysis Statement included as appendix 1b, is a supporting statement to the Comprehensive Income and Expenditure Statement.

9. The full Draft Unaudited Annual Financial Report will be made available on the Council's Website ([Annual budgets and financial report - New Forest District Council](#)) by the statutory deadline of 30 June 2025. Should any member of the Audit Committee wish to raise any queries on the statement before the next Committee meeting, the contact details for the Council's Chief Financial Officer are included at the beginning of this report.

Accounting Policy Changes and Other Key Matters

10. A number of accounting policy changes are required as detailed in appendix 7. These affect depreciation of street furniture, donated assets within Property, Plant and Equipment and Leases.
11. This includes a new accounting policy in relation to IFRS16 – Leases due to the first year of application being 2024/25.
12. These proposed changes form part of the recommendations above.
13. The Council has utilised some of the year's General Fund surplus to create a new reserve of £500,000 to fund future expenditure on Devolution and Local Government Reorganisation.
14. For 2024/25, the National Non-Domestic Rate (NNDR or Business Rates) collection fund shows a surplus of £934,000. This represents an upward movement of £3.4 million during the year from the brought forward balance.
15. Previous years' reports highlighted changes to the Business Rates Retention scheme that took place in April 2013 and the need for the Council to hold a provision for anticipated successful appeals against rating assessments. As at 1 April 2024 the total provision was £5.363 million, of which the Council's share totalled £2.145 million (40%). Table 1 confirms the movements in the provision during 2024/25 (including use of the provision totalling £4.487 million due to successful appeals following the introduction of the new ratings list), and the revised balances as at 31 March 2025:

16. Appeal Provision

	Total	NFDC
	£'000	£'000
Appeal provision 1 April 2024	(5,363)	(2,145)
Additional Provisions made 2024/25	(1,462)	(585)
Amounts used 2024/25	3,205	1,282
Appeal Provision 31 March 2025	3,620	1,448

17. In producing the accounts for 2024/25, the Council's wholly owned group of companies (Appletree Property Group) have been consolidated as 'Group Accounts'. This means that transactions that took place within the Company accounts need bringing into NFDC accounts, with transactions that took place between NFDC and Appletree being largely cancelled out. The statements produced within this Agenda are the NFDC accounting statements, pre-consolidation. The consolidated accounting statements from part of the overall annual financial report to be signed, audited and published.

Summary of Financial Position

18. The Comprehensive Income and Expenditure Statement and Balance Sheet show the value of the Council's net worth to have increased by £38.084 million during 2024/25. The value of net assets held by the Council now totals £467 million. The principal reasons and the breakdown of this year-on-year increase between the various reserves are summarised as follows:

Description	Class	£'000		
Net increase in PPE Assets	Asset	29,338	16,462	Council Dwellings
Increase in Assets under Construction	Asset	5,579	10,011	Other Land and Buildings
Decrease in Investment Property	Asset	(2,069)	3,006	Vehicles, Plant and Equipment
Increase in Long-Term Investments	Asset	183	(142)	Infrastructure
Decrease in Short-Term Investments	Asset	(8,064)	1	Community Assets
Decrease in Long-Term Debtors	Asset	(171)	29,338	
Increase in Short-Term Debtors	Asset	1,762		
Increase in Cash and Cash Equivalents	Asset	9,865		
Decrease in Short-Term Creditors	Liability	2,617		
Increase in Long-Term Borrowing	Liability	(13,179)		
Decrease in Provisions	Liability	677		
Decrease in Pensions Liability	Liability	6,979		
Developers' Contributions Receipts in Advance	Asset	216		
Inventories	Asset	215		
Decrease in Bad Debt Provision	Asset	36		
Increase in Short-Term Borrowing	Liability	4,100		
		38,084		
	Usable Reserves		Unusable Reserves	
Business Rates Reserve	(990)		17,101	Revaluation Reserve
Capital Programme Reserve	(2,141)		11,399	Capital Adjustment Account
HRA Development & Acquisition Reserve	470		201	Financial Instruments Revaluation Reserve
Other Earmarked Reserves	681		17	Deferred Capital Receipts Reserve
Capital Receipts Reserve	(905)		6,979	Pensions Reserve
Capital Grants Unapplied	1,918		1,372	Collection Fund Adjustment Account
Community Infrastructure Levy Unapplied	2,878		54	Accumulating Absences Adjustment Account
Developers' Contributions Unapplied	(950)			
	961		37,123	

19. The 2024/25 original net budget requirement for the General Fund was £24.513 million, an increase of £2.045 million from 2023/24. The Council's budget anticipated being funded £14.6 million from Council Tax (including a £5 increase) and £7.3 million from retained business rates and £2.6 million from other funding.
20. The 2024/25 General Fund outturn requirement was £22.040 million; an overall reduction of £2.473 million from the original budget. Revenue budget rephasing to future years totalled £1.035 million. Additional interest earnings totalled £1.287 million above the original budget reflecting both incomes received from Treasury Management investments and the Appletree Housing Group. The overall transfer from the General Fund to support Capital Programme was £3.016 million, £1.766 million more than the original budget expectation. The balance on the General Fund reserve was maintained at £3 million. A balanced budget has been set for 2025/26.
21. Housing Revenue Account variations in income and expenditure for 2024/25 totalled £1.419 million. This provisional surplus is earmarked to enhance the Acquisition and Development reserve. The balance on the account as at 31 March 2025 was retained at £1 million. The original budget for 2024/25 anticipates a break-even position for the year.

22. 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 2024/25 (including the gross value of the Coastal Regional Monitoring Programme) was £48.959 million. Actual expenditure was £46.439 million.
23. The Council retained some of its investments in a variety of long and short/medium term pooled funds in 2024/25. Total treasury management interest earnings were £2.519 million in 2024/25 (£2.606 million in 2023/24). The market value of the £9.050 million invested by the Council in long-term Pooled funds was £8.384 million at 31 March 2025, an increase of £184,000 from 2023/24. These funds are held as a medium-long term investment, and fluctuations over the last few year-end accounting periods have not been uncommon. The market value of the £2 million short to medium term fund invested at 31 March 2024 is £2.022 million, an increase of £18,000 in the year.
24. The Council's Balance Sheet shows a net pension liability of £5.234 million; a decrease of £6.979 million from 31 March 2024. The discount factor used by the actuary has increased from 4.8% to 5.8%. The significant reduction in the pension liability was offset by the introduction of an asset ceiling adjustment. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the liabilities under the scheme will be made good by contributions over the working lives of employees. The Pension Fund actuary last completed their 3 yearly actuarial review during 2022, which resulted in a new individual primary rate contribution percentage for each scheme member (at organisation level) and confirmed the overall net fund position. The triennial review set contribution rates for 2023/24 – 2025/26.

Corporate plan priorities

25. 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.
26. 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.
27. 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.

28. 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

29. The production of the draft Annual Financial Report is a statutory requirement and so there are no alternative options considered.

Consultation undertaken

30. Consultation between the council and our external auditors and advisors has been continuous throughout the preparation of the financial statements.
31. Audit committee has been appraised of the progress to date at each opportunity.

Financial and resource implications

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

Legal implications

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

Risk assessment

34. 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

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

Equalities implications

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

Crime and disorder implications

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

Data protection / Information governance / ICT implications

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

Appendices:

Appendix 1a: Comprehensive
Income and Expenditure Statement

Appendix 1b: Expenditure and
Funding Analysis (in NFDC
management format)

Appendix 2: Movement in Reserves

Appendix 3: Balance Sheet

Appendix 4: Housing Revenue
Account

Appendix 5a: Collection Fund –
Council Tax

Appendix 5b: Collection Fund –
Business Rates

Appendix 6: Cash Flow Statement

Appendix 7: Accounting Policy
Changes

Background Papers:

None

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2023/24					2024/25		
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
5,144	(2,823)	2,321	Community Safety and Wellbeing		5,192	(2,791)	2,401
17,349	(7,970)	9,379	Environment and Sustainability		19,783	(9,362)	10,421
34,146	(29,873)	4,273	Finance and Corporate		38,720	(29,726)	8,994
9,084	(6,956)	2,128	Housing and Homelessness		9,374	(6,757)	2,617
1,418	(360)	1,058	Leader		2,303	(876)	1,427
5,432	(1,814)	3,618	Planning and Economy		5,423	(2,534)	2,889
72,573	(49,796)	22,777	General Fund		80,795	(52,046)	28,749
38,293	(32,286)	6,007	Housing Revenue Account		33,499	(36,145)	(2,646)
110,866	(82,082)	28,784	Cost of Services		114,294	(88,191)	26,103
			Other Operating Expenditure				
7,548			Town and Parish Council Precepts		8,388		
0			Payments to the Government Housing Capital Receipts Pool		1		
	(1,523)		(Gains)/Losses on the disposal of Non-Current Assets			(2,867)	
	(668)		VAT Assessment / (Refund)			0	
		5,357	Total Other Operating Expenditure				5,522
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
4			- General Fund		57		
4,731			- HRA		5,019		
0			Expected Credit (Gain)/Loss on Investments		1		
321	(90)		Changes in the fair value of Investments		15	(217)	
	(3,585)		Other Investment Income			(3,296)	
786			Net interest on the net defined benefit liability/(asset)	35	590		
	(716)		Income, expenditure and changes in the fair value of Investment Properties	10		(828)	
		1,451	Total Financing and Investment Income and Expenditure				1,341
			Taxation and Non-Specific Grant Income				
	(21,693)		Council Tax Income (incl. Parish precepts)			(23,035)	
	(8,034)		Non-Domestic Rates Income and Expenditure	37		(9,147)	
	(879)		Unringfenced Government Grants	37		(1,291)	
	(4,946)		Capital Grants and Contributions	37		(12,376)	
		(35,552)	Total Taxation and Non-Specific Grant Income				(45,849)
124,256	(124,216)	40	(Surplus)/Deficit on the Provision of Services	5	128,365	(141,248)	(12,883)
31,620			(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(17,523)	
	(9,958)		Re-measurement of the defined benefit liability/(asset)	35		(7,678)	
		21,662	Other Comprehensive Income and Expenditure				(25,201)
		21,702	Total Comprehensive Income and Expenditure				(38,084)

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date 27 June 2025

EXPENDITURE AND FUNDING ANALYSIS
(supporting note to the Comprehensive Income and Expenditure Statement)

	2024/25		
	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
2024/25:			
Community Safety and Wellbeing	2,913	(512)	2,401
Environment and Sustainability	8,879	1,542	10,421
Finance and Corporate	4,832	4,162	8,994
Housing and Homelessness	3,191	(574)	2,617
Leader	1,197	230	1,427
Planning and Economy	2,882	7	2,889
General Fund	23,894	4,855	28,749
Housing Revenue Account	(10,242)	7,596	(2,646)
Cost of Services	13,652	12,451	26,103
Total Other Operating Expenditure	8,389	(2,867)	5,522
Total Financing and Investment Income and Expenditure	509	832	1,341
Total Taxation and Non-Specific Grant Income	(33,473)	(12,376)	(45,849)
(Surplus)/Deficit on the Provision of Services	(10,923)	(1,960)	(12,883)
Other Comprehensive Income and Expenditure	13,193	(38,394)	(25,201)
Total Comprehensive Income and Expenditure	2,270	(40,354)	(38,084)
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	2,270		
Transfer to/ (from) Earmarked Reserves	(2,270)		
Closing General Fund and HRA Balances	(4,000)		
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)		

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 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)
Movement in reserves during 2024/25										
(Surplus)/deficit on the provision of services	(6,473)	0	(6,410)	0	0	0	0	(12,883)	0	(12,883)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(25,201)	(25,201)
Total Comprehensive Income and Expenditure	(6,473)	0	(6,410)	0	0	0	0	(12,883)	(25,201)	(38,084)
Adjustments between accounting basis and funding basis under regulations (note 7)	8,771	0	6,092	905	(1,918)	(2,878)	950	11,922	(11,922)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	2,298	0	(318)	905	(1,918)	(2,878)	950	(961)	(37,123)	(38,084)
Transfers to/(from) earmarked reserves (note 8)	(2,298)	1,980	318	0	0	0	0	0	0	0
(Increase) / Decrease in Year	0	1,980	0	905	(1,918)	(2,878)	950	(961)	(37,123)	(38,084)
Balance at 31 March 2025	(3,000)	(25,495)	(1,000)	(5,142)	(4,416)	(11,405)	(2,547)	(53,005)	(413,656)	(466,661)

BALANCE SHEET AS AT 31 MARCH

2023/24		Notes	2024/25	
£000	£000		£000	£000
		Long-Term Assets		
		Property, Plant and Equipment:		
426,440		Council Dwellings	9	442,902
75,699		Other Land and Buildings	9	85,710
5,453		Vehicles, Plant and Equipment	9	8,459
2,252		Infrastructure	9	2,110
534		Community Assets	9	535
8,359	518,737	Assets Under Construction	9	13,938
				553,654
	30,325	Investment Property	10	28,256
	9,568	Long-Term Investments	11	9,751
	4,393	Long-Term Debtors	12	4,222
	563,023	Total Long-Term Assets		595,883
		Current Assets		
10,106		Short-Term Investments	13	2,042
393		Inventories		608
12,365		Short-Term Debtors	14	14,127
(3,049)		Bad Debt Provision	14	(3,013)
12,720		Cash and Cash Equivalents	15	22,585
	32,535	Total Current Assets		36,349
	595,558	Total Assets		632,232
		Current Liabilities		
(4,155)		Short-Term Borrowing	16	(17,334)
(27,755)		Short-Term Creditors	17	(25,138)
	(31,910)	Total Current Liabilities		(42,472)
		Long-Term Liabilities		
(119,904)		Long-Term Borrowing	16	(115,804)
(2,594)		Provisions	18	(1,917)
(360)		Developers' Contributions - Receipts in Advance		(144)
(12,213)		Net Pensions Liability	35	(5,234)
	(135,071)	Total Long-Term Liabilities		(123,099)
	428,577	Net Assets		466,661
		Usable Reserves		
3,000		General Fund Balance		3,000
27,475		Earmarked Reserves	8	25,495
1,000		Housing Revenue Account Balance		1,000
6,047		Capital Receipts Reserve	19	5,142
2,498		Capital Grants Unapplied	20	4,416
8,527		Community Infrastructure Levy Unapplied	21	11,405
3,497	52,044	Developers' Contributions Unapplied	21	2,547
				53,005
		Unusable Reserves		
85,727		Revaluation Reserve	22	102,828
304,478		Capital Adjustment Account	23	315,877
(608)		Financial Instruments Revaluation Reserve	24	(407)
475		Deferred Capital Receipts Reserve	25	492
(12,213)		Pensions Reserve	26	(5,234)
(852)		Collection Fund Adjustment Account	27	520
(474)	376,533	Accumulating Absences Adjustment Account		(420)
	428,577	Total Reserves		413,656
				466,661

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2023/24		Notes	2024/25
£000			£000
	Income		
(30,224)	Dwelling rents		(33,759)
(662)	Non-dwelling rents		(721)
(923)	Charges for services and facilities		(1,195)
(478)	Contributions towards expenditure		(471)
(32,287)			(36,146)
	Expenditure		
6,406	Repairs and maintenance	3	6,809
8,535	Supervision and management		8,942
218	Rents, rates, taxes and other charges		174
22,748	Depreciation, impairment and revaluation of non-current assets	4	17,239
15	Debt Management Costs		15
227	Movement in the allowance for bad debts		174
38,149			33,353
5,862	Net (Income) / Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement		(2,793)
145	HRA services' share of Corporate and Democratic Core		147
6,007	Net (Income) / Expenditure for HRA Services		(2,646)
	HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(1,502)	(Gain) / Loss on sale of HRA non-current assets		(2,703)
4,731	Interest payable and similar charges		5,019
(612)	Interest and investment income		(576)
197	Net interest on the net defined benefit liability / (asset)	5	144
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(3,289)	Capital Grants and Contributions Receivable		(5,635)
5,519	(Surplus) or Deficit for the year on HRA services		(6,410)

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.

2023/24			2024/25	
£000	£000		£000	£000
		Income		
	(152,269)	Income from Council Tax		(160,401)
		Transfers to / (from) General Fund:		
(212)		Support Fund Relief	2	
1		Hardship Relief	1	
(122)		Family Annex Relief	(146)	
0	(333)	Transitional Relief	1	(142)
	(152,602)	Total Income		(160,543)
		Expenditure		
		Precepts:		
105,535		Hampshire County Council	110,963	
18,173		Police and Crime Commissioner for Hampshire	18,922	
5,813		Hampshire and Isle of Wight Fire And Rescue Service	5,995	
21,568		New Forest District Council (including	22,848	
	151,089	town and parish council requirements)		158,728
		Bad and Doubtful Debts		
269		Write-offs	376	
362	631	Increase / (decrease) in provisions	141	517
		Contributions:		
	1,842	Previous year's estimated council tax surplus / (deficit)		1,254
	153,562	Total Expenditure		160,499
	960	Movement on fund balance		(44)
	(1,931)	(Surplus) / Deficit at 1 April		(971)
	960	Movement on fund balance for year		(44)
	(971)	(Surplus) / Deficit at 31 March		(1,015)

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.

2023/24			2024/25	
£000	£000		£000	£000
		Income		
	(65,219)	Income collectable from Business Ratepayers Current System		(74,885)
	(5,461)	Transitional Protection Payments		(1,546)
	(70,680)	Total Income		(76,431)
		Expenditure		
36,975		Payments to Government - Business Rates Retention	38,628	
29,580		New Forest District Council	30,902	
6,655		Hampshire County Council	6,953	
739		Hampshire and Isle of Wight Fire And Rescue Service	773	
288		Costs of Collection	288	
12		NFDC - Renewable Energy Schemes	90	
	74,249			77,634
		Bad and Doubtful Debts		
258		Write-offs	544	
80		Increase / (decrease) in provisions	(154)	
(4,830)		Increase / (decrease) in Appeals Provision	(1,742)	
	(4,492)			(1,352)
	(976)	Contributions: Previous year's estimated business rates surplus / (deficit)		(3,261)
	68,781	Total Expenditure		73,021
	(1,899)	Movement on fund balance		(3,410)
	4,375	(Surplus) / Deficit at 1 April		2,476
	(1,899)	Movement on fund balance for year		(3,410)
	2,476	(Surplus) / Deficit at 31 March		(934)

CASH FLOW STATEMENT

2023/24			2024/25
£000		Notes	£000
40	Net (surplus) or deficit on the provision of services		(12,883)
(23,143)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28	(7,770)
2,803	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	5,123
(20,300)	Net cash flows from Operating Activities		(15,530)
23,908	Investing Activities	29	13,818
(683)	Financing Activities	30	(8,153)
2,925	Net (increase) or decrease in cash and cash equivalents		(9,865)
(15,645)	Cash and cash equivalents at the beginning of the reporting period		(12,720)
(12,720)	Cash and cash equivalents at the end of the reporting period	15	(22,585)

ACCOUNTING POLICIES CHANGES

1. To add into the Depreciation policy:

Classification

New classification added to cover Street Furniture additions in year. Street Furniture to be depreciated on a straight-line basis over 50 years.

2. To add into the Property, Plant and Equipment policy:

Measurement

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

3. To amend the Leases policy to:

Leases

The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on the index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee

- The exercise price under a purchase option that the authority is reasonably certain to exercise
- Lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of more than five years that do not have any provision for rent reviews
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate
- There is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- The authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- For low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- With a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

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.

Finance leases

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

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve].

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating leases

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

Audit Committee - 27 June 2025

Procurement Contract Standing Orders – Breaches & Waivers 2024/25

Purpose	For Review																				
Classification	Public																				
Executive Summary	<p>This report sets out the waivers and breaches of Contract Standing Orders which have occurred during the 2024/25 financial year and highlights the following:</p> <table><tr><td></td><td colspan="2">2024/25</td><td>2023/24</td><td>2022/23</td></tr><tr><td></td><td>Waivers</td><td>Breaches</td><td>Waivers</td><td>Waivers</td></tr><tr><td>Total (Count)</td><td>12</td><td>9</td><td>14</td><td>16</td></tr><tr><td>Total (£Value)</td><td>£0.7m</td><td>£2.7m</td><td>£6.13m</td><td>£2.95m</td></tr></table> <p>The lower value of approved waivers compared to previous years shows that less Council expenditure is now subject to an approved waiver. This means that a greater proportion of the Council’s total expenditure is subject to the full requirements set out in the Council’s Contract Standing Orders.</p> <p>An annual comparison of the number and value of breaches cannot be made due to this being the first year of reporting.</p> <p>Whilst no breaches of Contract Standing Orders is the preferable position, the relatively low number of breaches in overall context suggests a good level of understanding of the requirements amongst managers and officers in most service teams and has resulted in general compliance with Contract Standing Orders.</p> <p>An effective and transparent waivers and breaches governance process maximises the chances of achieving value for money and complying with procurement legislation when procuring goods, services or works.</p>		2024/25		2023/24	2022/23		Waivers	Breaches	Waivers	Waivers	Total (Count)	12	9	14	16	Total (£Value)	£0.7m	£2.7m	£6.13m	£2.95m
	2024/25		2023/24	2022/23																	
	Waivers	Breaches	Waivers	Waivers																	
Total (Count)	12	9	14	16																	
Total (£Value)	£0.7m	£2.7m	£6.13m	£2.95m																	

Recommendation	1. It is recommended that the Audit Committee a. note the waivers and breaches of Contract Standing Orders that occurred during 2024/25.
Reasons for recommendation(s)	To comply with Contract Standing Orders which requires that all breaches & waivers are considered annually by the Audit Committee.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance & Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources, Section 151 & Transformation
Officer Contact	Josie West Strategic Procurement Manager 02380 285741 Josie.West@nfdc.gov.uk

Introduction and background

1. This report updates Members on breaches and waivers of the Procurement rules set out in the Council's Contract Standing Orders, which should be read in conjunction with the Financial Regulations.
2. Contract Standing Orders provide a set of rules that must be followed in relation to the procurement of all goods, services and works by the Council. These procurement rules ensure that the Council complies with procurement legislation whilst obtaining value for money.
3. These rules must be followed by all individuals responsible for procurement for, or on behalf of, the Council.
4. The rules provide for limited exceptions to the prescribed rules which include the following:
 - Employment contracts
 - Contracts for the disposal or acquisition of an interest in land, existing buildings or other immovable property
 - Legal advice sought by the Legal Service Manager, connected with the business of the Council
 - Arbitration or conciliation services

- Financial advice sought by the Section 151 Officer in connection with Council business
 - Central bank services
 - Public contracts between entities within the private sector
 - Grants to external organisations
5. Where the above exceptions do not apply and a Contract Administrator has a valid reason for not complying with Contract Standing Orders, an application for a waiver may be submitted for approval. Table 1 shows the level of approval required for waivers for 2024/25:

Table 1 – Delegated authority to approve waivers

Value of Contract	Approval Required
£0 – UK Procurement Thresholds	As at 2024/25: Assistant Director – Governance (Monitoring Officer) At present: Service Manager – Legal & Information Governance

Waivers granted 2024/25

6. There were 12 applications for a waiver between 1st April 2024 and 31st March 2025, of which 12 were approved. The total value of all approved waivers was £698,817.08.
7. The table in Appendix 1 provides the detail of each of the approved waivers, with further background information and justification.
8. For comparison, the below table shows the number and value of waivers submitted over the previous three years:

Table 2 – Waivers by year

Year	Number of approved waivers	Value of approved waivers
2024/25	12	£0.7m
2023/24	14	£6.13m (13 at £1.3m, 1 at £4.8m)
2022/23	16	£2.95m

2021/22	13	£1.37m
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9. For 2024/25, the lower value of approved waivers compared to previous years shows that less Council expenditure is now subject to an approved waiver. This means that a greater proportion of the Council's total expenditure is subject to the full requirements set out in the Council's Contract Standing Orders.

Breaches in 2024/25

10. A breach of Contract Standing Orders is where a spend is identified that should have been subject to a tendering process but was awarded without being subject to a tendering process or a waiver sought.
11. The Strategic Procurement Manager produces and circulates Spend Analysis reports to the Senior Leadership team every four months. These reports have been analysed to identify any breaches of Contract Standing Orders that were not requested via the waiver process.
12. During the financial year 2024/25, 9 breaches have been identified, totalling £2.7 million. The Council's total spend on goods, services and works was £53.3 million, and therefore the percentage of spend that breached Contract Standing Orders was 5%.
13. The table in Appendix 1 provides the detail of the breaches that have been identified and the proposed actions.
14. An annual comparison of the number and value of breaches cannot be made due to this being the first year of reporting.
15. Whilst no breaches of Contract Standing Orders is the preferable position, the relatively low number of breaches in overall context (5% of the overall spend) suggests a good level of understanding of the requirements amongst managers and officers in most service teams and has resulted in general compliance with Contract Standing Orders.

Corporate plan priorities

16. Transformation priority 3 'being financially responsible' commits the Council to deliver value for money to our residents through our procurement. Where contracts are awarded directly to suppliers without testing the market, we cannot be assured that we are receiving best value. It is therefore imperative that the actions proposed in Appendix 1 are completed in 2025/26.

Options appraisal

17. Lack of action would result in the Council acting in contravention to its own procurement rules and could result in the Council and its resident not receiving best value or high-quality services.

Consultation undertaken

18. Consultation on the contents of this report has been undertaken with the Service Managers where breaches have been identified.

Financial and resource implications

19. An effective and transparent breaches/waivers governance process maximises the chances of achieving value for money when procuring goods, services or works.

Legal implications

20. The Council is bound by procurement regulations which apply to any contracts above the thresholds set out in Schedule 1 of the Procurement Act (2023). The most common types of contracts and their thresholds are set out below:

Works contract £5,372,609

Contract for the supply of goods or services £214,904

21. For contracts above these values, it is imperative that the appropriate tendering process is followed to ensure compliance with legislation.

Risk assessment

22. Failure to have appropriate financial regulations and procurement rules which ensures accountable and transparent processes are in place puts the Council at risk of challenge.
23. Non-compliance with procurement rules can result in the Council not achieving best value, due to directly awarding contracts instead of competitively testing the market.

Environmental / Climate and nature implications

24. Non-compliance with procurement rules means that suppliers may not be being assessed in relation to the environmental / climate and nature implications of their proposals.

Equalities implications

25. There are no equalities implications arising from this report.

Crime and disorder implications

26. Any breaches of Contract Standing Orders have the potential of fraudulent activity. There were no instances of fraudulent activity identified during this review. The Procurement team works alongside the fraud and internal audit teams to ensure compliance and to identify and investigate any non-compliance. This reduces the likelihood of fraudulent activity.

Data protection / Information governance / ICT implications

27. There are no data protection / information governance / ICT implications arising from this report.

Appendices:

Appendix 1 – Breaches & Waivers

Background Papers:

None

Appendix 1 – Breaches & Waivers 2024/25

Waivers granted 2024/25 (sorted by value)

Contract description	Contract value	Directorate	Service team	Background/Justification
Nitrate mitigation credits for residential development	£173,604	Housing & Communities	Housing Strategy & Development	To comply with conditions of planning the Council must demonstrate that any nitrates generated through its development must be mitigated, by purchasing the required number of nitrate credits from appropriate mitigation schemes. At present there are only two approved nitrate mitigation suppliers in the area, and therefore a quotation was requested from both, and awarded to the most economically advantageous.
Legal library and resources (3-year term)	£124,000	Corporate Resources & Transformation	Legal	The supplier (LexisNexis) is the sole provider of specific legal resources on-line. It is an on-line legal library containing precedents and legal books/case materials and practice notes. This enables legal officers to research legal points and obtain templates and case law which are essential to their work. There is therefore no market for what they provide and no other equivalent supplier.
Design, supply & installation of air source heat	£116,850	Corporate Resources & Transformation	Estates & Valuations	These services were required pursuant to grant funding from the Public Sector Decarbonisation (PSDS) scheme and had a strict deadline for the project to be completed and all monies to be drawn down before 31 st March 2025. The usual process

pumps at Appletree Court				would be an open tender, but given the timescales a restricted quotation process was undertaken instead, with 3 quotes obtained.
Contract description	Contract value	Directorate	Service team	Background/Justification
Design and draft specification for redesign works at Appletree Court	£68,140	Corporate Resources & Transformation	Estates & Valuations	The supplier was awarded a contract to undertake a feasibility study for this project, via a quotation exercise with 3 suppliers. The next stage of the project was to design and draft the specification for redesign works. The supplier had already assembled a project team through the feasibility stage and understood the project, which would add cost if a procurement exercise resulted in the appointment of a different supplier.
Training for social housing managers	£47,655	Housing & Communities	Various	Following amendments to the Social Housing (Regulation) Bill, professional housing qualifications have been made mandatory for social housing managers, to ensure residents receive a high-quality service and to rapidly professionalise the sector. Whilst other suppliers do provide this training, the Chartered Institute of Housing (CIH) are considered the centre of excellence, and the Council would prefer to receive this training directly from the source. Furthermore, the CIH have offered a discount on professional memberships (which the Council already purchases for many of its staff) whilst completing the training through them.

Contract description	Contract value	Directorate	Service team	Background / Justification
Extension of support for Community Energy New Forest project	£32,500	Place, Operations & Sustainability	Climate Change & Sustainability	This relates to an extension of an existing contract to continue facilitation, support and further development of the Community Energy New Forest project. The existing contract was intentionally short to align with Hampshire County Council's (HCC) contract renewal and enable joint procurement of a long term solution, however HCC will no longer be supporting these activities and NFDC wished to continue a direct contract with the supplier.
Phosphate mitigation credits for residential development	£30,500	Housing & Communities	Housing Strategy & Development	To comply with conditions of planning the Council must demonstrate that any phosphates generated through its development must be offset through an appropriate and approved mitigation scheme. At present there is only one supplier offering credits for development in the area. The market for phosphate mitigation credits will be tested as regular intervals to identify any additional approved suppliers in the market.
DSEAR (Dangerous Substances and Explosive Atmospheres Regulations 2002)	£26,460	Housing & Communities	Housing Maintenance Programmes & Servicing	An audit identified that existing DSEAR assessments were inadequate and not fit for purpose, and therefore 28 housing sites required immediate new DSEAR assessments. Due to the time sensitivity, this contract was awarded directly to a supplier with proven expertise.

Gas Risk Assessments				
Contract description	Contract value	Directorate	Service team	Background/Justification
Greater horseshoe bat study	£25,900	Place, Operations & Sustainability	Planning Policy, Infrastructure & Delivery	<p>A study was required, involving trapping, tagging and radio tracking the rare and protected greater horseshoe bats, to support and inform the drafting of the Local Plan. There are few individuals and companies which offer these services and fewer still with a proven track record in Hampshire and working with Local Planning Authorities. NFDC approached two of the leading local experts in this field and they agreed to put a joint bid in for the works, giving the Council the benefit of both their respective significant experience and expertise to further the project aims. The project was time sensitive twofold, firstly to make a tangible contribution to the emerging local plan it needed to be undertaken as soon as possible, and secondly, it needed to correspond with the timings when the bats are most numerous in the known roosts to be targeted by survey (April to May). There is a minimum 6-8 week lead in time for procuring the specialist equipment required and obtaining the project licence from Natural England. Therefore this contract was directly awarded.</p>

Contract description	Contract value	Directorate	Service team	Background / Justification
Social housing data insights software	£21,058	Housing & Communities	Housing Maintenance Programmes & Servicing	The Council attempted to run a procurement process and undertook market engagement to enter a contract with a provider of social housing data insights software. Unfortunately, the framework provider proved uncommunicative and therefore the decision was made to direct award outside of the framework process.
Single beam surveys in the Wareham Channel	£17,500	Place, Operations & Sustainability	Coastal	The contract was to undertake 14 single beam surveys in the Wareham Channel in Poole Harbour as part of the monitoring for the Arne Moors Scheme. Options were appraised and the most cost-effective approach was found to be renting a boat from Channel Surveys Ltd, which is moored in Poole Bay. Channel Surveys Ltd has the only local survey vessel equipped with a pre-installed single-beam echo sounder (SBES) sensor, reducing mobilisation complexity and ensuring operational efficiency. Additionally, the collection software used by this supplier matches that of the Channel Coastal Observatory, ensuring seamless data processing and quality control.
Victim support for tenants affected by anti-social behaviour	£14,650	Housing & Communities	Housing Resident Services	The current victim support provision in Hampshire is provided by Victim Support - this is commissioned by the Hampshire Police and Crime Commissioner. The contract has been directly awarded to Victim Support. They are a well-established service used

				by Hampshire Police, Winchester City council, and large housing associations. This is a specialist provider in the area, used by neighbouring authorities.
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Breaches in 2024/25 (sorted by value)

Contract description	Contract value	Directorate	Service team	Background	Action Required
Emergency accommodation for homeless people	£1,297,554	Housing & Communities	Housing Options and Tenancy Accounts	A total value of £1,297,554 cumulative spend across eight suppliers has been identified as not being subject to a tendering process or a waiver sought. The Council provides emergency accommodation for individuals and families experiencing homelessness within the District, using historic arrangements and in emergency situations where the Council must comply with its legal obligations under the Housing Act 1996 and Homelessness Reduction Act 2017. Preparations have begun to undertake a competitive tendering process for the establishment of a multi-supplier	Tender in 2025/26

				framework agreement to ensure a compliant arrangement which offers the Council value for money but also flexibility where urgent services are required.	
Contract description	Contract value	Directorate	Service team	Background	Action Required
Consultancy services, primarily to support the Waste Programme	£298,292	Place, Operations & Sustainability	N/A	A value of £298,292 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. This primarily relates to the services of the Waste Programme Director, as well as an interim Programme Manager for the Shared Prosperity Fund. Both were short term arrangements that will not continue past July 2025. A tender is in progress for the provision of Temporary Workers, and the User Guide for Officers will be updated to include advice on procuring senior level staff, to ensure any future arrangements are compliant with Contract Standing Orders.	None (One-off spend, no longer required)

Contract description	Contract value	Directorate	Service team	Background	Action Required
Garden clearance services & fencing repairs	£289,896	Housing & Communities	Housing Maintenance Programmes & Servicing	A value of £289,896 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. This relates to reactive garden clearance services including fencing repairs to void housing properties. There is an element of urgency as we wish to minimise the time the property spends unoccupied. We have previously unsuccessfully attempted to procure this contract and are preparing to undertake a tendering process in 2025/6. In this attempt we are simplifying the process to enable small businesses to have the capability to bid successfully.	Tender in 2025/26
Vehicle parts & repairs	£229,900	Place, Operations & Sustainability	Waste & Transport	A value of £229,900 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. The implementation of the Waste Programme has resulted in lack of capacity to tender this contract. The Waste	Tender in 2025/26

				Programme will result in an increase in fleet which will increase the spend in this area and therefore it is planned for tender in 2025/6.	
Contract description	Contract value	Directorate	Service team	Background	Action Required
Tax & benefits software	£219,772	Housing & Communities	Revenues, Benefits & Customer Services	A value of £219,772 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. This software has been used by the Council for many years and is integral to the functioning of the Revenues and Benefits team. The procurement team have identified an existing framework agreement that could be utilised to enter a compliant contract with this supplier, and this is planned for 2025/26.	Tender in 2025/26
Supply & servicing of tyres	£131,442	Place, Operations & Sustainability	Waste & Transport	A value of £131,442 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. The implementation of the Waste Programme has resulted in lack of capacity to	Tender in 2025/26

				tender this contract. It is in preparation for tender in 2025/6.	
Contract description	Contract value	Directorate	Service team	Background	Action Required
Electrical services	£122,192	Corporate Resources & Transformation	Estates & Valuations	A value of £122,192 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. This was identified in November 2024 and has since been through a competitive tendering process, with a contract successfully awarded. No further action is required.	None (this was procured in early 2025 and is now compliant)
Disposal of garden waste & purchase of aggregate	£82,110	Place, Operations & Sustainability	Public Realm & Sustainability	A value of £82,110 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. This was identified in November 2024 and various options have been explored including whether we can dispose of the waste with other existing suppliers. We plan to work with the newly appointed Service Manager in this area to find a solution.	Tender in 2025/26

Contract description	Contract value	Directorate	Service team	Background	Action Required
Recruitment advertising	£46,906	Corporate Resources & Transformation	Human Resources	A value of £46,906 with a single supplier has been identified as not being subject to a tendering process or a waiver sought. This is an aggregate of 55 separate purchase orders across several service teams. The Procurement team will work with the Human Resources team to explore procurement routes and undertake a tendering process in 2025/26.	Tender in 2025/26

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Audit Committee – 27 June 2025

Cabinet – 6 August 2025

Council – 15 September 2025

Principal Risk Register Review

Purpose	For Decision
Classification	Public
Executive Summary	<p>This report updates the Audit Committee on the position of the Council's Principal Risk Register. The main updates are as follows:</p> <ul style="list-style-type: none"> • All service risk registers have been reviewed to inform any proposed changes to the Principal Risk Register. • All principal risks have been reviewed following the last update in January 2025. • Two risks are proposed for removal due to no longer being a key risk to the Council's operation: <ul style="list-style-type: none"> ➤ Hampshire County Council – Political Environment ➤ Major Projects – Hardley Depot • One additional risk has been proposed that has arisen or become apparent in the previous 6 months: <ul style="list-style-type: none"> ➤ People – Recruitment and retention of staff considering Local Government reorganisation.
Recommendations	<p>1. It is recommended that Audit Committee:</p> <p>a. Provide commentary on the Principal Risk Register updates prior to presenting them to the Cabinet.</p> <p>2. It is recommended that Cabinet:</p>

	a. Consider the Principal Risk Register updates and recommend adoption by Council.
Reasons for recommendation(s)	To meet the requirements of the Council's Risk Management Policy and to ensure that the Council complies with the corporate governance requirements relating to risk management.
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 – Assistant Director - Finance
Officer Contact	Josie West Strategic Procurement Manager 02380 285741 Josie.West@nfdc.gov.uk

Background

1. 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.
2. 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.
3. The Council's Risk Management Policy was approved by Audit Committee in January 2025. It provides a structured framework to ensure risks and opportunities are reviewed across all Services, Portfolios and Corporately, in a consistent way.

4. The Council's Principal Risk Register is an important element of this framework and is reviewed and updated every 6 months.
5. Prior to the previous update in January 2025, the Principal Risk Register was reshaped to focus on the most significant risks encountered by the Council. The risks are strategic and will assist further in the Council achieving the priorities set out in the Corporate Plan.

Principal Risk Review

6. All Service Risk Registers have been reviewed and updated by the Service Managers. Where possible, Principal Risks have been aligned to a Service Risk to ensure consistency going forward.
7. All Principal Risks have been reviewed and the relevant Service Managers have been consulted on proposed changes.
8. The amended Principal Risk Register can be found at Appendix 1, with a further copy at Appendix 2 with tracked changes to show the amendments made since January 2025.

Proposed changes to the Principal Risk Register

9. It is proposed to remove the Principal Risk "Operations - Hampshire County Council – Political Environment" due to the elections originally scheduled for May 2025, being delayed until May 2026 but remain alert to this for future inclusion as required.
10. The service has proposed to amend the rating of the Principal Risk "Financial – Fraud" from High to Medium. The Council's Anti-Fraud and Corruption Strategy has recently been reviewed and approved by Audit Committee. Historically, instances of fraud have been relatively low when compared to the amount of money paid out by the Council.
11. The project manager has proposed to remove the Principal Risk "Major Projects – Hardley Depot". The construction of the new depot has been completed and the depot is now open and operationally available, therefore, this is no longer deemed a Principal Risk. Any outstanding low risks will be managed at a Service level. The project is subject to ongoing monitoring by the Waste Programme Board.
12. The service has proposed to amend the rating of the Principal Risk "Major Projects – Planning and regulatory system upgrade" from Medium to High. The project to replace this system is now on hold as agreed at the latest Transformation Board meeting. However, agreement has been reached with the current software provider to maintain the current software for the next 18 months.

13. The service has proposed to amend the rating of the Principal Risk "People – Working Practices" from High to Medium. This risk primarily related to the change in employee terms and conditions for Waste Operatives. All Waste Operatives have now moved across to the new terms and conditions, so this is no longer deemed a Principal Risk.
14. The service has proposed to add the Principal Risk "People - Recruitment and retention of staff". This risk relates to uncertainty amongst staff, brought about by Local Government Reorganisation and Devolution.
15. Other proposed changes to text in the Principal Risk Register are for clarification, to provide further detail, or to communicate updated information following liaison with the relevant Service Manager or Assistant Director.

Corporate plan priorities

16. 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

17. An options appraisal is not applicable for this report.

Consultation undertaken

18. Consultation has been undertaken with Senior/Service Managers with responsibility for a Service Risk Register, particularly in areas where changes have been proposed.

Financial and resource implications

19. 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

20. If the legal principal risks are not managed this does bring risk to the council.

Risk assessment

21. The risk management implications are set out within the content of this report.

Environmental / Climate and nature implications

22. If the climate principal risks are not managed this does bring risk to the council.

Equalities implications

23. There are no direct equality implications from this report.

Crime and disorder implications

24. There are no direct crime and disorder implications from this report.

Data protection / Information governance / ICT implications

25. There are no direct data protection / information governance / ICT implications from this report.

Appendices:

Appendix 1 – Principal Risk Register

Appendix 2 – Principal Risk Register (tracked changes)

Background Papers:

Principal Risk and Risk Management Policy Update to the Audit Committee on 24th January 2025

[Link to Report](#)

[Link to Principal Risk Register](#)

[Link to Risk Management Policy](#)

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APPENDIX 1

For people, place and prosperity

Principal Risk Register 2024 - 2028 • June 2025

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	<ul style="list-style-type: none"> Dedicated ICT security team in place to manage and maintain the organisations security posture. ICT Security & Information Governance Policy approved by EMT in place for all to adhere to. End user awareness provided by eLearning modules. Cyber incident response service in place to support actual or suspected breaches and expert assistance in the event of an incidence. The Council funds a reserve to quickly respond in the event of an attack. Compliance gained and renewed annually to accreditations including PSN and Cyber Essentials. Regular internal vulnerability scans taking place with remedial action undertaken. Full IT health check undertaken annually by an external accredited tester with remedial action undertaken.

Principal Risk Register 2024 - 2028 • June 2025

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
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 and works closely with partners at a local and national level to ensure effective preparedness for response and recovery to incidents. In April a new relationship was established with Southampton City Council and an Emergency Planning Coordinator role was recruited into, to support the planning, training and exercising of officers at all levels across the Council (Strategic, Tactical and Operational) to prepare and deliver a robust response to incidents across the district.
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	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 and we are investing in homelessness prevention strategies.

						increase in homelessness.	
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR4	Business Continuity	All	Strategic Director – Housing & Communities	High	12	Ineffective business continuity response enables an event to seriously disrupt Council operations	The Council acknowledges the previous resource shortfall. In April 2025 the Council embarked on a new working relationship with Southampton City Council to support in the review of its business continuity arrangements. A officer has recently been successfully recruited to implement any changes identified, which 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.
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Legal & Regulatory							
PR5	Health and Safety	Transformation Priority 2: Being an employer of choice	Chief Executive	Medium	8	A serious health and safety incident occurs in the workplace, compromising the safety and wellbeing of our staff. This includes fatal incidents and incidents within the scope of RIDDOR 2013.	Implementation of the Council's H&S management system, including proactive monitoring and review of H&S arrangements, risk assessments, Safe System of work, training and performance monitoring. Regular H&S audits are undertaken by the internal H&S team who also take on the role of 'competent person' as identified under regulation 7 of the Management of Health and Safety at Work Regulations 1999.

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR6	Information Governance	All	Strategic Director Corporate Resources & Transformation Section 151 Officer	Medium	8	A serious data breach occurs and/or other significant instance of non-compliance with data legislation, leading to imposition of fines by the Information Commissioner's Officer (ICO), reputational risks and risk of litigation.	Implementation of the Council's GDPR action plan continues overseen by the Council's Data Protection Officer and supported by the Information Governance team. This action plan includes provision of training, raising corporate awareness, introduction of Data Protection Leaders, impact assessments to assess data risks for new projects, data sharing/processing agreements, breach response plan and breach log.
PR7 20	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	<p>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.</p> <p>We are in the process of undertaking a Section 11 audit measuring the Council's responses to Safeguarding matters which will be completed in June and reviewed by Hampshire Safeguarding Children's Partnership.</p>

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR8	Legal & Governance	All	Assistant Director Strategy & Engagement (Monitoring Officer)	Medium	6	Inadequate legal & governance arrangements resulting in unlawful decision making and/or maladministration.	<p>Recruitment and retention of staff with knowledge and skills; ongoing training provided to staff to update knowledge and improve skills; access to specialist external legal advice when necessary.</p> <p>The Council has sound constitutional and governance arrangements in place including Schemes of Delegation and the Annual Governance Action Plan, approved by Audit Committee and monitored by statutory officers.</p>
PR9	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 and to ensure that outcomes are beneficial for our residents.	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.

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR10	Social Housing Regulatory Compliance	People Priority 3 – meeting Housing Needs	Strategic Director – Housing & Communities	Medium	6	Self-referral to Regulator of Social Housing. Non-compliant inspection grading. Reputational damage. Fine. H&S incident. 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. Tenant Engagement and Scrutiny
Financial							
PR11 222	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 programme in progress and ongoing reviews of the MTFP, the council is fully committed to ensuring both immediate and future financial stability. This is evidenced by the setting of a balanced budget for 2025/26 and the financial strategy to ensure this continues over the MTFP. Additionally, sufficient reserves are in place, alongside business continuity plans and council-wide emergency planning.
PR12	Fraud	Transformation Priority 3: Being financially responsible	Strategic Director Corporate Resources & Transformation Section 151 Officer	Medium	6	While the risk of internal fraud is low, the potential for external fraud remains a concern. This underscores the necessity for the Council to prioritise	The Council's approach is set out in the Anti-Fraud and Corruption Strategy, which has recently been reviewed and approved by Audit Committee. Every Service area has a Fraud Risk Survey carried out and continually reviewed.

						external fraud prevention strategies, ensuring that measures are in place to mitigate the threat.	All staff complete fraud e-learning each year.
Re	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR13 223	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.	<p>The Procurement Act 2023 is now in force. The procurement team have undertaken Cabinet Office training and updated Contract Standing Orders, tender documents and associated guidance for officers.</p> <p>Spend analysis is completed three times per year and shared with the leadership team.</p> <p>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.</p>

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
Major Projects							
PR14	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.
PR15	Transformation Programme	Transformation Priority 4: Designing modern and innovative services	Strategic Director Corporate Resources & Transformation Section 151 Officer	Medium	8	Buy in and delivery of the transformation strategy and business case is crucial for achieving the corporate plan	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.

						objectives. Failure to deliver will hinder the customer experience, modernisation of the organisation, maximisation of our assets and development of our staff.	
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR16 225	Planning and regulatory system upgrade	Transformation Priority 4: Designing modern and innovative services	Strategic Director Corporate Resources & Transformation Section 151 Officer	High	12	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.	The project to replace this system is now on hold (as agreed at the last transformation board), however agreement has been reached with the current software provider to maintain the current software for the next 18 months.

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
Reputation							
PR17	Climate and Ecological Emergency	Place Priority 2: Protecting our climate, coast, and natural world	Strategic Director of Place, Operations and Sustainability	Medium	6	Failure to meet climate change-related goals leading to non-compliance with UK net zero legislation and failure to achieve Corporate Plan and Transformation objectives.	<p>Continuing implementation of the Council's Climate and Ecological Emergency Action Plan.</p> <p>Funding of £150k per year for the corporate plan period.</p> <p>Regular review of budget allocation, seeking alternative funding sources, prioritising projects based on impact and funding availability.</p> <p>Recruitment and expansion of the Climate Change & Sustainability team is in progress to support these actions.</p> <p>Development of a service climate risk assessment template to ensure this risk is being addressed through service delivery.</p>

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
People							
PR18	Working practices	Transformation Priority 2: Being an employer of choice	Strategic Director Corporate Resources & Transformation Section 151 Officer	Medium	6	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.
PR19	Recruitment and retention of staff	Transformation Priority 2: Being an employer of choice	Strategic Director Corporate Resources & Transformation Section 151 Officer	High	12	The uncertainty of LGR and Devolution may increase the risk of staff leaving the Council and lead to recruitment challenges which could impact the delivery of services.	Development of employer proposition, consideration of other non-pay benefits, provision of flexible/hybrid working. Maintaining talent pool, career progression opportunities, leadership development and upskilling of existing staff; more learning resource in place due to People Strategy to assist managers.

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 economic centres to thrive and	PR2

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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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APPENDIX 2

For people, place and prosperity

Principal Risk Register 2024 - 2028 • ~~January~~ June 2025

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	<p>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.</p> <ul style="list-style-type: none"> <u>Dedicated ICT security team in place to manage and maintain the organisations security posture.</u> <u>ICT Security & Information Governance Policy approved by EMT in place for all to adhere to.</u> <u>End user awareness provided by eLearning modules.</u> <u>Cyber incident response service in place to support actual or suspected breaches and expert assistance in the event of an incidence.</u> <u>The Council funds a reserve to quickly respond in the event of an attack.</u> <u>Compliance gained and renewed annually to accreditations including PSN and Cyber Essentials.</u>

							<ul style="list-style-type: none"> Regular internal vulnerability scans taking place with remedial action undertaken. Full IT health check undertaken annually by an external accredited tester with remedial action undertaken.
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.	<p>The Council is collaborating with the Hampshire Resilience Forum <u>and works closely with partners at a local and national level</u> to ensure effective preparedness for response <u>and recovery to incidents.</u> 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. In April a new relationship was established with Southampton City Council and an Emergency Planning Coordinator role was recruited into, to support the planning, training and exercising of officers at all levels across the Council (Strategic, Tactical and Operational) to prepare and deliver a robust response to incidents across the district.</p>

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 <u>and we are investing in homelessness prevention strategies</u> .
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	NFDC is part of a wider Hampshire elections planning group and have also set up internal elections planning should the May elections proceed. 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.



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.

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.

						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.	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.
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR5P <u>R4</u>	Business Continuity	All	Strategic Director – Housing & Communities	High	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.

23							<u>The Council acknowledges the previous resource shortfall. In April 2025 the Council embarked on a new working relationship with Southampton City Council to support in the review of its business continuity arrangements. A officer has recently been successfully recruited to implement any changes identified, which 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.</u>
Legal & Regulatory							
PR6 R5	Health and Safety	<u>Transformation Priority 2: Being an employer of choice</u> People Priority 2: Empowering our residents to live healthy, connected and fulfilling lives	Chief Executive	Medium	8	A serious health and safety incident occurs <u>in the workplace, compromising the safety and wellbeing of our staff. This includes fatal incidents and incidents within the scope of RIDDOR 2013.</u>	<u>Implementation of the Council’s H&S management system, including proactive monitoring and review of H&S arrangements, risk assessments, Safe System of work, training and performance monitoring. and competent external advice overseen by the Corporate Health and Safety function.</u> <u>Regular H&S audits are undertaken by the internal H&S team who also take on the role of ‘competent person’ as identified under regulation 7 of the Management of Health and Safety at Work Regulations 1999.</u>

PR7P R6	Information Governance	All	Strategic Director Corporate Resources & Transformation Section 151 Officer Assistant Director Governance & Monitoring Officer	Medium	8	A serious data breach occurs and/or other significant instance of non-compliance with data legislation, <u>leading to imposition of fines by the Information Commissioner's Officer (ICO), reputational risks and risk of litigation.</u>	Implementation of the Council's GDPR action plan continues overseen by the Council's Data Protection Officer and supported by the Information Governance team. <u>This action plan includes provision of training, raising corporate awareness, introduction of Data Protection Leaders, impact assessments to assess data risks for new projects, data sharing/processing agreements, breach response plan and breach log.</u>
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR8P R7 238	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. <u>We are in the process of undertaking a Section 11 audit measuring the Council's responses to Safeguarding matters which will be completed in June and reviewed</u>

							by Hampshire Safeguarding Children's Partnership.
PR9 PR8 237	Legal & Governance	All	Assistant Director Governance & Strategy & Engagement (Monitoring Officer)	Medium	6	Inadequate legal & governance arrangements take place resulting in unlawful decision making and/or maladministration, 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. Recruitment and retention of staff with knowledge and skills; ongoing training provided to staff to update knowledge and improve skills; access to specialist external legal advice when necessary. <u>The Council has sound constitutional and governance arrangements in place including Schemes of Delegation and the Annual Governance Action Plan, approved by Audit Committee and monitored by statutory officers.</u>
PR10 PR9	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 <u>and to ensure that outcomes are</u>	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.

						beneficial for our residents.	
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR11 PR10	Social Housing Regulatory Compliance	People Priority 3 – meeting Housing Needs	Strategic Director – Housing & Communities	Medium	6	Self-referral to Regulator of Social Housing. Non-compliant i Inspection grading. Reputational damage. Fine. H&S incident. 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. Tenant Engagement and Scrutiny
Financial							
PR12 PR11	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 programme in progress and ongoing reviews of the MTFP, the council is fully committed to ensuring both immediate and future financial stability. This is evidenced by the setting of a balanced budget for 2025/26 and the financial strategy to ensure this continues over the MTFP. Additionally, sufficient reserves are in place, alongside business continuity plans and council-wide emergency planning.
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR13 PR12	Fraud	Transformation Priority 3: Being	Strategic Director Corporate Resources & Transformation	High Medium	6 9	While the risk of internal fraud is low, the potential	The Council's approach is set out in the Anti-Fraud and Corruption Strategy, which has recently been

		financially responsible	Section 151 Officer			for external fraud remains a <u>significant</u> concern. This underscores the necessity for the Council to prioritise external fraud prevention strategies, ensuring that <u>measures are in place to mitigate the threat.</u> <u>safeguards are in place to protect against outside threats and vulnerabilities.</u> <u>Lessons learned emphasise the importance of vigilance and proactive measures to mitigate these external risks effectively.</u>	<u>reviewed and approved by Audit Committee. supported by an action plan overseen by Internal Audit & the Executive Management Team</u> <u>Every Service area has a Fraud Risk Survey carried out and continually reviewed.</u> <u>All staff complete fraud e-learning each year.</u>
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR14 <u>PR13</u>	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	<u>The Procurement Act 2023 is now in force. The procurement team have undertaken Cabinet Office training and updated Contract Standing Orders, tender documents and associated guidance for officers.</u>

						and/or is in breach of legislation.	<u>Spend analysis is completed three times per year and shared with the leadership team.</u> 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 240	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.
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR16 <u>PR14</u>	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	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.

						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.	
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR17 PR15 141	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.



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Buy in and delivery of the transformation strategy and business case is crucial for achieving the corporate plan objectives. Failure to deliver will hinder the customer experience, modernisation of the organisation, maximisation of our assets and development of our staff.

Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
PR18 <u>PR16</u>	Planning and regulatory system upgrade	Transformation Priority 4: Designing modern and innovative <u>services</u>	Strategic Director Corporate Resources & Transformation Section 151 Officer	Medium <u>High</u>	8 <u>12</u>	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	Terms agreed upon for the regulatory planning system and contractual assistance regarding the present situation. <u>The project to replace this system is now on hold (as agreed at the last transformation board), however agreement has been reached with the current software provider to maintain the current software for the next 18 months.</u>

						outcomes, which could also impact the transformation program and regulatory services.	
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
Reputation							
PR17 9 243	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. Failure to meet climate change-related goals leading to non-compliance with UK net zero legislation and failure to	<p>Continuing iImplementation of the Council's Climate and Ecological Emergency Action Plan continues.</p> <p><u>Funding of £150k per year for the corporate plan period.</u></p> <p><u>Regular review of budget allocation, seeking alternative funding sources, prioritising projects based on impact and funding availability.</u></p> <p><u>Recruitment and expansion of the Climate Change & Sustainability team is in progress to support these actions.</u></p> <p><u>Development of a service climate risk assessment template to ensure this risk is being addressed through service delivery.</u></p>

						achieve Corporate Plan and Transformation objectives.	
Ref	Risk Title	Corporate Plan Theme	Risk Owner	Current Risk Rating	Risk Score	Risk Event	Overview and Mitigation
People							
PR20 PR18 244	Working practices	Transformation Priority 2: Being an employer of choice	Strategic Director Corporate Resources & Transformation Section 151 Officer	High Medium	126	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.
PR19	Recruitment and retention of staff	Transformation Priority 2: Being an employer of choice	Strategic Director Corporate Resources & Transformation Section 151 Officer	High	12	The uncertainty of LGR and Devolution may increase the risk of staff leaving the Council and lead to recruitment challenges which could impact the delivery of services.	Development of employer proposition, consideration of other non-pay benefits, provision of flexible/hybrid working. Maintaining talent pool, career progression opportunities, leadership development and upskilling of existing staff; more learning resource in place due to People Strategy to assist managers.

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 economic centres to thrive and grow	PR2

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

Audit Committee – 27 June 2025

Anti-Money Laundering Policy Review

Purpose	For Review
Classification	Public
Executive Summary	This report sets out for committee's consideration and recommendation to Council the proposed Anti-Money Laundering Policy.
Recommendation(s)	Audit Committee is asked to: 1) Support and recommend the updated policy (Appendix 1) is approved and takes place with immediate effect.
Reasons for recommendation(s)	The council's anti-money laundering policy has been in place since 1 April 2022, it is good practice to review these policies every three years to ensure they reflect the current policy and practice required by the Council, including due regard to the current organisational structure.
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 Assistant Director – Finance (Deputy Section 151 Officer) 02380 285766 paul.whittles@nfdc.gov.uk

Introduction and background

1. The Council's Anti-Money Laundering Policy should be reviewed regularly to ensure it reflects the current policy and practise required by the Council, including due regard to the current organisational structure.

2. The last review by Audit Committee was 29 October 2021 with the approved policy taking effect from 1 April 2022.
3. Subject to approval, the updated policy shall be implemented immediately and communicated to all staff using the council's all staff weekly e-mail and cascaded more directly via Service Managers with cash-based services.

Summary of Amendments

4. This update is primarily presentational whilst including amendments to terminology and roles.
5. The threshold at which cash payments should be reported to the Money Laundering Reporting Officer has been raised to £6,000 (Appendix 1, paragraph 7.1). This is based on the highest level of council tax forecast to be payable over the next 3 years.
6. It still sets out relevant, roles and responsibilities, definitions, and the council's obligations alongside detailed guidance to colleagues needing to report large cash payments

Corporate plan priorities

7. The Anti-Money Laundering Policy supports the governance of the council's financial activity ensuring it continues to be financially responsible.

Options appraisal

8. None undertaken, due to the minor changes proposed.

Consultation undertaken

9. Internal consultation between the Portfolio Holder for Finance and Corporate, NFDC statutory officers and finance officers, have determined the recommendation presented in the report.

Financial and resource implications

10. There are no direct financial implications as a result of this report.

Legal implications

11. There are no additional legal implications as a result of this report.

Risk assessment

12. There are no additional risk implications as a result of this report.

Environmental / Climate and nature implications

13. There are no direct environmental, climate or nature implications as a result of this report.

Equalities implications

14. There are no direct equalities implications as a result of this report.

Crime and disorder implications

15. Having an anti-money laundering policy in place provides a deterrence to individuals looking to use the council as a way to launder money. Additionally, the recording of activity support any potential investigation and recovery of funds.

Data protection / Information governance / ICT implications

16. There are no new data protection or information governance implications as a result of this report. The council shall continue to retain records for 5 years as per the regulations and as guided by the council's retention and destruction policy.

Appendices:

Appendix 1 – Anti-Money
Laundering Policy

Background Papers:

Audit Committee 29 October
2021:

[Audit Report - 29 October 2021
Final.pdf](#)

[Appendix 3](#)

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ANTI-MONEY LAUNDERING POLICY

June 2025

1. Introduction

- 1.1 This Policy applies to all employees, contractors, suppliers, and agency staff of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing the Council from being exposed to criminal activity through money laundering. The Policy sets out the procedures which must be followed.
- 1.2 Further information is set out in the accompanying **Procedure Note**. Both the Policy and the Procedure Note sit alongside the Council's Whistleblowing Policy.
- 1.3 Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedures.

2. Legislation

- 2.1 Legislation concerning money laundering, namely the Money Laundering, Terrorist Financing & Transfer of Funds (Information on the Payer) Regulations 2017, the Proceeds of Crime Act 2002 and the Terrorism Act 2000 broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the obligations impact on areas of local authority business and they require local authorities to establish internal procedures to prevent the use of their services for money laundering or terrorist financing.

3. Roles and responsibilities

- 3.1 Employees are expected to maintain the highest standards as defined by the Council's Employee Code of Conduct. All staff are expected to adhere to this policy and report any incident of payments that exceed the threshold to the Money Laundering Reporting Officer MLRO.
- 3.2 Service Managers and Managers are responsible for supporting staff, ensuring procedures are adhered to and reminding staff of their duty.
- 3.3 The officer nominated to receive disclosures about potential money laundering activity within the Council is the Council's Section 151 Officer, who is the MLRO, and can be contacted as follows:

Alan Bethune Section 151 Officer
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst SO43 7PA
Telephone: 02380 285001
Alan.bethune@nfdc.gov.uk

- 3.4 In the absence of the MLRO, the Assistant Director – Strategy and Engagement (Monitoring Officer) should be contacted.

- 3.5 The role of the MLRO is to be a point of contact for all employees who have queries relating to the regulations or who wish to report a suspicion and to ensure compliance with the relevant provisions of the Money Laundering Regulations 2007. The MLRO has responsibility to decide if suspicions should be disclosed to the National Crime Agency (NCA). They will also need to decide on what actions to take so to avoid tipping off customers that a suspicion has occurred. The MLRO may need to disclose details to NCA before a transaction is completed.
- 3.6 The MLRO may also:
- Train other staff and give guidance
 - Carry out money laundering risk assessments
 - Implement anti money laundering controls
 - Prepare annual reports on the business' anti money laundering activity and keep appropriate records
 - Monitor business relationships

4. Definitions

- 4.1 Money laundering is the process of transforming the proceeds of crime and corruption into seemingly legitimate assets. It can also be defined as "a process that makes money with an illegal origin appear legal so that it may be used."
- 4.2 It is a criminal offence to fail to report suspicions of money laundering activities. The following are offences under the legislation:
- failing to make a disclosure to the designated MLRO as soon as is practicable, information obtained in the course of carrying out business which gives rise to reasonable grounds for knowing or suspecting a person may be engaging in money laundering.
 - an MLRO fails to disclose to the National Crime Agency as soon as practicable that they know or suspect, or have reasonable grounds to know or suspect, as a result of information disclosed to them, that a person may be engaging in money laundering activities.
 - Tipping Off: If a person knows or suspects that another person's suspected involvement with money laundering is under investigation or in contemplation of investigation and discloses that an investigation into a money laundering offence is being contemplated and that disclosure is likely to prejudice any investigation which might be conducted.
 - Prejudicing the investigation: A person knows or suspects that a money laundering investigation has or is about to be commenced in respect of another and makes a material disclosure to any other person which is likely to prejudice the investigation or interferes with relevant material.

5. The Council's obligations

- 5.1 Organisations conducting "relevant business" must:
- appoint a Money Laundering Reporting Officer (MLRO) to receive

disclosures from employees of suspected money laundering activity (their own or anyone else's);

- Implement a procedure to enable the reporting of suspicions of money laundering;
- apply customer due diligence measures in certain circumstances
- maintain record keeping procedures.

- 5.2 Relevant business is usually defined as the carrying on of statutory audit work or the participation in financial or real property transactions. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council; therefore, all staff are required to comply with the reporting procedure set out in this policy.

6. The impact on the Council

- 6.1 Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The **Procedure Note** gives practical advice, and this Policy sets out how any concerns should be raised.
- 6.2 Whilst the risk of the Council contravening the legislation is very low, the consequences are extremely serious; therefore, ***it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation.***

7. Approach to reporting money laundering

- 7.1 All payments to the Council accepted in cash that exceed £6,000 should be reported to the MLRO using the Money Laundering Report Form. Evidence of the customer's identity should also be taken.
- 7.2 Where money laundering activity is suspected of taking, or has taken place, or you become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO by using the Money Laundering Report Form. **The disclosure should be within "hours" i.e. at the earliest opportunity of the information coming to your attention, not weeks or months later. Should you not do so, then you may be liable to disciplinary procedures.**
- 7.3 The disclosure should be made to the MLRO using the instructions in the attached **Procedure Note and Money Laundering Reporting Form Appendix 1**. The report must include as much detail as possible, for example:
- full details of the people involved (including yourself, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
 - full details of the property involved and its whereabouts (if known)
 - full details of the nature of their/your involvement
 - if any suspicions have been discussed with anyone else
 - the types of money laundering activity involved:

- the dates of such activities, including:
 - whether the transactions have happened, are ongoing or are imminent
 - where they took place
 - how they were undertaken
 - the (likely) amount of money/assets involved
- why, exactly, you are suspicious – the MLRO will require full reasons along with any other available information to enable them to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering. This will enable them to prepare their report to National Crime Agency, where appropriate and you should also enclose copies of any relevant supporting documentation

7.4 Once you have reported the matter to the MLRO you must follow any directions they may give you. **You must NOT make any further enquiries into the matter yourself;** any necessary investigation will be undertaken by National Crime Agency. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

7.5 Similarly, **at no time and under no circumstances should you voice any suspicions** to the person(s) whom you suspect of money laundering, even if National Crime Agency has given consent to a particular transaction proceeding, without the specific consent of the NCA or MLRO; otherwise you may commit a criminal offence of “tipping off”.

7.6 There should be no reference to money laundering on the customer’s file of a report having been made to the MLRO as should the customer exercise their right to see their file via a Subject Access Request, then such a note may tip them off to the report having been made. The MLRO will keep the appropriate records in a confidential manner.

8. Consideration of the disclosure by the Money Laundering Reporting Officer (MLRO)

8.1 The MLRO will send a Suspicious Activity Report (SAR) to the National Crime Agency via their on-line portal if there are sufficient grounds of suspicion or knowledge of money laundering.

8.2 The MLRO will evaluate the report and any other available internal information they consider relevant when determining reasonable grounds, including:

- does the reported conduct fall within that which is potentially criminal?
- Is the reported individual suspected of having gained proceeds of money laundering?
- what factors and information led to the suspicion or knowledge of money laundering?
- review other transaction patterns and volumes
- the length of any business relationship involved

- the number of any one-off transactions and linked one-off transactions
 - all due diligence information held and undertake as necessary any such other reasonable inquiries they think appropriate in order to ensure that all available information is considered in deciding whether a report to NCA is required
- 8.3 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether, there is actual or suspected money laundering taking place, or there are reasonable grounds to know or suspect that is the case.
- 8.4 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to National Crime Agency in the prescribed manner
- 8.5 In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to National Crime Agency.
- 8.6 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark their report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.
- 8.7 All disclosure reports referred to the MLRO and reports made to the National Crime Agency must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

9. Customer due diligence procedure

- 9.1 Where the Council is carrying out certain 'regulated activities', (regulated activity is defined as the provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services or estate) then extra care needs to be taken to check the identity of the customer or client – this is known as carrying out 'Customer Due Diligence'. The situations where Customer Due Diligence is required are outlined below, and included in the procedure notes available to staff. Customer Due Diligence consists of:
- identifying the client and verifying the client's identity on the basis of documents, data or information obtained from a reliable and independent source
 - identifying the beneficial owner (where they are not the client) so that we are satisfied that we know who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement, and
 - obtaining information on the purpose and intended nature of the business relationship.
- 9.2 Where customer due diligence is required, staff in the relevant Service of the Council must obtain satisfactory evidence of the identity of the prospective client, and full details of the purpose and intended nature of

the relationship/transaction, as soon as practicable after instructions are received. The Regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help decide if it is necessary:

- Is the service a regulated activity (see above)?
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is '**no**' then you do not need to carry out customer due diligence.

Please note that unlike the reporting procedure, the Customer Due Diligence Procedure is restricted to those employees undertaking regulated activities (e.g. Finance and Legal Services)

9.3 If the answer to all these questions is 'Yes' then you must carry out customer due diligence before any business is undertaken for that client. If you are unsure whether you need to carry out customer due diligence, then you should contact the MLRO. Where you need to carry out customer due diligence then you must seek evidence of identity, for example:

- Checking with the customer's website to confirm their business address;
- Conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors.
- Seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.

9.4 The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. In the Council, details of proposed transactions are usually, as a matter of good case management practice, recorded in writing in any event and proposed ongoing business relationships are usually the subject of Agreements (legally binding agreements entered into between the Council and third parties) or other written record which will record the necessary details.

9.5 There is also an ongoing legal obligation to check the identity of existing clients and the nature and purpose of the business relationship with them at appropriate times. Opportunities to do this will differ, however one option is to review these matters as part of the ongoing monitoring of the business arrangements, as is usually provided for in the Agreement or other written record. The opportunity should also be taken at these times to scrutinise the transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure they are consistent with your knowledge of the client, its business and risk profile. Particular scrutiny should be given to the following:

- complex or unusually large transactions;
- unusual patterns of transactions which have no apparent economic or visible lawful purpose; and
- any other activity particularly likely by its nature to be related to money laundering or terrorist financing.

If satisfactory evidence of identity is not obtained at the outset of the matter, then generally the business relationship or one-off transaction(s) cannot proceed any further and any existing business relationship with that client must be terminated.

10. Monitoring and keeping records

- 10.1 Each Service Unit of the Council conducting regulated business must monitor, on an ongoing basis, their business relationships in terms of scrutinising transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with their knowledge of the customer, its business and risk profile.
- 10.2 The Council must also maintain records of:
- customer identification/verification evidence obtained (or references to it), and
 - details of all regulated business transactions carried out for customers for at least five years from the end of the transaction/relationship. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.
- 10.3 The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the customer and the relevant transaction and recording the source of, and in what form, any funds were received or paid. In practice, the Service Units of the Council will be routinely making records of work carried out for customers in the course of normal business and these should suffice in this regard.
- 10.4 All disclosure reports referred to the MLRO and reports made to the National Crime Agency must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

11. Supply Chain

- 11.1 The Council procures supplies, services, and works from a wide range of suppliers in full compliance with the Procurement Act 2023 and the Council's Contract Standing Orders.
- 11.2 As part of the tendering process, potential suppliers must complete a self-declaration questionnaire which seeks confirmation and assurances of their professional business standing, and specifically whether their organisation or any director has been convicted of any fraud, bribery, or concealment offences, including money laundering.

- 11.3 Should Council officers have serious concerns around a supplier's policies and behaviours in relation to money laundering, this should immediately be referred to the Council's procurement team as well as the supplier's Contract Manager and the Council's Monitoring Officer.

12. Training

- 12.1 The Council will take appropriate measures to ensure that all employees are made aware of the law relating to money laundering and will arrange targeted, ongoing, training to key individuals most likely to be affected by the legislation. The Council has a new Learning Management System LMS with a specific Fraud Prevention E-learning package, which includes the topic of Money Laundering, and all staff will be required to complete these every 2 years. A reminder of the procedures will be undertaken annually.

13. Risk management and controls

- 13.1 The risk to the Council of contravening the anti-money laundering legislation will be assessed on a periodic basis and the adequacy and effectiveness of the Anti-Money Laundering Policy, Guidance and procedures will be reviewed in light of such assessments.
- 13.2 The adequacy and effectiveness of, promotion of, and compliance by employees with, the documentation and procedures will be monitored by the MLRO.

14. Review of the policy

- 14.1 The Policy will be subject to review every three years.

NFDC ANTI MONEY LAUNDERING PROCEDURES

INTRODUCTION

Money Laundering is the process by which criminally obtained money or other assets are exchanged for 'clean' money or other assets leaving no obvious link to their criminal origins.

This could affect NFDC in the following areas:

- Right to buy payments
- Purchases of Council assets such as land and buildings
- Payment of Rent, Council Tax or Business Rates
- Payment of Housing Benefit Overpayments

TRAINING

The Council will train you if you are an employee who may come into contact with people involved in money laundering or terrorist financing, so that you are aware of the legislation and your personal responsibilities.

The Council will also train you in how to recognise and deal with transactions that may be related to money laundering or terrorist financing.

Particular topics include:

- The law regarding money laundering offences
- The businesses policy and procedures relating to prevention of money laundering
- Identification and 'know your customer' procedures
- Recognition and handling of transactions
- Internal reporting
- Record keeping

This training should be repeated at least every two years.

IDENTIFICATION

In the following circumstances the Council must take appropriate steps to confirm the identity of a person or business who is (or who is applying to) do business with the Council:

- where the Officer dealing with the transaction knows or suspects that money laundering is going on; or
- where a one-off transaction involves a cash payment by the other person or business of £6,000 or more; or
- where there are multiple cash, payments totalling £6,000 or more with the same person or business and which appear to be linked.

You must check and retain evidence of everyone in the chain. This includes when your customer is, or appears to be, acting on behalf of someone else.

You must complete the Money Laundering Report Form and send it to the Money Laundering Reporting Officer for all cash transactions over £6,000.

You should:

- Check evidence of ID when you receive the first high value payment
- Retain a photocopy of the original evidence provided (date and sign copy with 'original seen' and photo ID – 'good likeness of applicant')

Why is the evidence important?

You must be satisfied that your customer is who they say they are by checking evidence of their name and address, non-compliance is a criminal offence.

FORMS OF IDENTIFICATION EVIDENCE - INDIVIDUALS

The following combinations of evidence are acceptable:

- Full passport OR full driving licence or
- TWO forms of secondary identification

Secondary forms of identification may include:

- Bank account statements, or recent official correspondence like telephone, utilities, or water bills.

We must take reasonable steps to satisfy ourselves that the customer is who they claim to be. If the customer refuses to supply sufficient evidence of identity, then we will refuse the payment.

GOOD PRACTICE

It is good practice to try and obtain a date of birth (DOB) and keep a record of it. Then check to see if the DOB is consistent with the apparent age of the customer.

Check the customers' signature with the signatures on the customers' identification evidence.

FORMS OF IDENTIFICATION EVIDENCE - BUSINESSES

You should consider why the customer is purchasing goods in cash.

Where the customer is a limited company you should identify the individuals you deal with who have authority within that company to move funds and obtain details of the company's:

Registered number
Corporate name
Trading names
Registered address
Business activity

All these details should be held in an account file and kept for five years after you finish 'dealing' with the customer.

The Account file should include:

- The name of the customer
- Evidence of identification
- A record of the transaction and
- Copies of disclosures you may have made

WHAT IS MEANT BY SUSPICIOUS?

Activity which does not fit with the normal course of business.

Indicators leading to Suspicions:

- Is checking their identity proving difficult?
- Is there a genuine reason to be paying in large sums of cash?
- Is the customer paying with used notes or in small denominations?
- Is the source of the cash known and reasonable?
- Are there any unusual requests?
- With existing customers is the payment reasonable, consistent and within the normal payment pattern?

Any suspicions should be reported to the MLRO as soon as possible. If suspicion is raised before the transaction is completed, report to the MLRO and await consent before completing the transaction. The report should be made in writing.

RECORD KEEPING

In accordance with the Data Protection Act 1998, information should not be held for longer than necessary. However, S.19 Money Laundering Regulations 2007 require that records of a customer's identity, evidence and supporting records in respect of a business relationship or occasional transaction that is the subject of customer due diligence should be kept for 5 years after the end of a business relationship to enable law enforcement to reconstruct business transactions and to provide a clear audit trail of the business we have conducted.

CONFIDENTIAL

Report to Money Laundering Reporting Officer**Reporting of Money Laundering Activity**

To: Money Laundering Reporting Officer or Deputy

From:

[insert name of employee, including post title]

Service Area:

Ext/Tel No:

Date by which response needed:

REPORTING OF CASH TRANSACTION IN EXCESS OF £6,000:

Full name(s) and address(s) of person(s) involved:

If a company/public body, please include details of nature of business

Summary of transaction and customers role:

Please include full details e.g. value, source of funds, what they are paying for, why, when, where, how, e.g. cash.

Please provide details of the identification seen:

--

REPORTING OF SUSPECTED MONEY LAUNDERING ACTIVITY:

Name(s) and address(s) of person(s) involved:

If a company/public body, please include details of nature of business

Summary of transaction and customers role:

Please include full details e.g. value, source of funds, what they are paying for & why, date, where, how, cash, bank transfers.

Reason for suspicions regarding such activity:

Has any investigation been undertaken (as far as you are aware)? Yes/No

If yes, please include details below:

Have you discussed your suspicions with anyone else? Yes/No

If yes, please specify below, explaining why such discussion was necessary:

Do you feel there is a reasonable excuse for the Money Laundering Reporting Officer to not disclose the matter to the NCA? (e.g. are you a lawyer and wish to claim legal professional privilege? Yes/No

Please give any further information you feel is relevant

Signed: Dated:

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date Report Received:

CONSIDERATION:

Consider: type of transaction, large amounts of cash, offshore funds. Third party involvement, identity of party difficult to establish or reluctance. Is the source of the funds available. Previous cancellation of earlier transactions, patterns?

OUTCOME OF CONSIDERATION:

Are there reasonable grounds for suspecting money laundering activity? Yes/No

If there are reasonable grounds for suspicion, will a report be made to the National Crime Agency (NCA)? Yes/No

If yes, please confirm date of report to NCA:
[Please complete the details below]

Details of liaison with the NCA regarding the report:

Name of liaison person:

Notice Period:

Moratorium Period:

Is consent required from the NCA to any on-going or imminent transactions which would otherwise be prohibited acts? Yes/ No

If yes, please confirm full details below:

Date consent received from NCA:

Date consent given by you to employee:

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

[Please set out any reasonable excuse for non-disclosure]

Date consent given by you to employee for any prohibited act transactions to proceed:

Signed:

Dated:

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

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Audit Committee – 27 June 2025

Payment Card Industry Data Security Standard (PCI DSS) Update

Purpose	For information
Classification	Public
Executive Summary	This report sets out the status of Payment Card Industry Data Security Standard (PCI DSS) at New Forest District Council.
Recommendation(s)	It is recommended that Audit Committee: 1. Note the update provided in the report.
Reasons for recommendation(s)	To update committee members on the current position regarding full PCI DSS compliance and the next steps.
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 Assistant Director – Finance 02380 285766 paul.whittles@nfdc.gov.uk

Introduction and background

1. Payment card industry data security standard (PCI DSS) is the global security standard for all organisations that store, process or transmit cardholder data and/or sensitive authentication data.
2. There are 4 PCI DSS compliance levels. New Forest District Council (NFDC) falls into Level 3: for merchants that process between 20,000 to 1 million transactions annually. As a Level 3 Merchant

NFDC has a requirement to submit a self-assessment questionnaire (SAQ) annually, conduct approved scanning vendor (ASV) scans quarterly and complete the attestation of compliance (AOC) form.

3. Organisations that handle cardholder data, even if only momentarily, are required to comply with over 300 security protocols under PCI DSS. However, by outsourcing handling cardholder data to PCI DSS accredited third party service providers this is reduced to just over 20 security controls.

Progress made towards full PCI DSS Compliance

4. NFDC has been working towards outsourcing handling cardholder data to PCI DSS accredited third party service providers. These solutions work in a way such that no cardholder data ever enters NFDC systems.
5. The table below details the current progress.

Payment Channel	Status
Information Offices Pin Entry Devices (PEDs)	Outsourced
Car Park Terminal Payments	Outsourced
Automated Telephone Payments (ATP)	Outsourced
Web Payments	Outsourced
Keyhaven River Pin Entry Devices (PEDs)	Outsourced
Agent Referred Payments (ARP)	Work in progress
Keyhaven River Telephone Payments	Now taken via ARP

6. The project team continues to engage with third party service providers to obtain confirmation of PCI DSS accreditation annually.
7. Guidance has been provided to officers involved in card payment processes outlining their roles and responsibilities regarding PCI DSS compliance and a training module is being developed within the council's Learning Management System.

Difficulties encountered with PCI Compliance

8. Historically, when taking telephone payments customers verbally provided their card details over the phone for agents to enter manually into the payment system. This practice meant that cardholder data entered NFDC systems and increased the security protocols to be PCI compliant.

9. The current Agent Referred Payments (ARP) system allows customers' calls to be transferred/forwarded to a secure payment line where the customer enters their card details using their telephone keypad. The secure payment line is hosted and owned by a PCI compliant third-party service provider and cardholder data never enters NFDC systems.
10. This system operates as an "end call" solution. Once the call is transferred to the payment line it cannot be retrieved if the customer is struggling with their payment.
11. When the "end call" solution was introduced, 20% of payments failed. The main reasons for the payment failure are due to the customer entering invalid card details or not entering # to proceed with their payment.
12. To support vulnerable customers the Executive Management Team (EMT) approved the use of an assisted payment form to complete telephone payments, with customers providing their details verbally. This has been implemented as a temporary solution whilst alternative PCI compliant options are investigated, such as a "mid-call" solution that would allow the NFDC officer to retrieve calls where the customer is struggling to help guide them through the process.
13. The "end call" failure rate has reduced to 14%, partly as a consequence of this action.
14. Officers have been issued with guidance advising them that the assisted payment form is only to be used in exceptional circumstances for vulnerable customers who are not able to use an alternative payment channel. Managers are able to monitor the use of the assisted payment form and track usage at an individual call agent level. No card details entered into the assisted payment form are retained by the Council. The significant majority of telephone payments continue to be taken using the PCI compliant ARP system.
15. Previously Keyhaven River were unable to use the ARP system for telephone payments as their telephone line did not allow for call forwarding. Last winter they were moved over to Teams for calls which allows for this functionality, however a decision was made for ARP payments to be taken by the Environmental Enforcement and Amenities team instead. Telephone payment volumes at Keyhaven are very low and the current process is considered appropriate.

Next Steps

16. Continue to engage with NFDC officers involved in the payment process regarding their roles and responsibilities in ensuring PCI DSS compliance.
17. Complete the setup of a PCI DSS training module on the Learning Management System.
18. Continue investigations into alternative solutions for telephone payments for vulnerable customers.

Financial and resource implications

19. The development of an alternative ARP solution (such as mid-call) will incur project delivery costs. These would need to form part of the ICT work programme with resources made available and approved in line with financial regulations.

Legal implications

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

Risk assessment

21. With an element of manual intervention there remains a risk of data misuse. However, due to the existing controls in place, no significant risks have been identified at this time.

Environmental / Climate and nature implications

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

Equalities implications

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

Crime and disorder implications

24. Ensuring the council is compliant reduces the risk of fraud.

Data protection / Information governance / ICT implications

25. Any exposure of cardholder data without authorisation is considered a breach for both PCI and GDPR.

Appendices:

None

Background Papers:

None

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AUDIT COMMITTEE

WORK PROGRAMME 2025/2026

ITEM	METHOD	LEAD OFFICER
31 OCTOBER 2025		
Housing Benefit Review Update	Presentation	KPMG
Internal Audit Progress Report 2025/26	Written Report	Antony Harvey (Internal Audit)
Treasury Management Mid – Year Report 2025/26	Written Report	Gemma Farley Andrew Boutflower (HCC)
23 JANUARY 2026		
External Audit Results Report 2024/25	Written Report	Simon Mathers Katie Lean (External Audit)
Final Annual Financial Report 2024/25	Written Report	Alan Bethune
Annual Governance Statement 2024/25	Written Report	Alan Bethune Tanya Coulter
Internal Audit Progress Report 2025/26	Written Report	Antony Harvey (Internal Audit)
Treasury Management Strategy 2026/27 (Including Prudential Indicators)	Written Report	Gemma Farley Andrew Boutflower (HCC)

AUDIT COMMITTEE

WORK PROGRAMME 2025/2026

ITEM	METHOD	LEAD OFFICER
27 MARCH 2026		
Internal Audit Progress Report 2025/26	Written Report	Antony Harvey (Internal Audit)
Internal Audit Charter 2026/27	Written Report	Antony Harvey (Internal Audit)
Internal Audit Plan 2026/27	Written Report	Antony Harvey (Internal Audit)
External Audit Plan 2025/26	Written Report	Simon Mathers Katie Lean (External Audit)